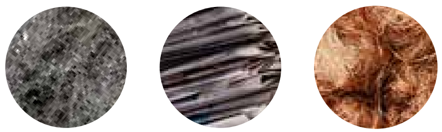
dinos

Annual Report 2017



Wise choice
for a clean future

Annual Report 2017

Dinos d.d.

ALL OF OUR DREAMS CAN COME TRUE, IF WE HAVE THE COURAGE TO PURSUE THEM. (WALT DISNEY)

1. Business Report

Statement of management's responsibility

The Management Board confirms the financial statements for the year ended 31 December 2017, the applied accounting policies and the notes to financial statements. The Management Board is responsible for the preparation of the Annual Report so as to give a true and fair view of the financial position of the company and the results of its operations in the year 2017.

The Management Board confirms to have consistently applied the appropriate accounting policies and made the accounting estimates according to the principle of prudence and due diligence. The Management Board further confirms that the financial statements, together with the notes, have been prepared on the basis of the assumptions of going concern and in line with the applicable legislation as well as the Slovenian Accounting Standards.

The Management Board is also responsible for adequately managed accountancy, the adoption of appropriate measures aimed at protecting property as well as preventing and discovering fraud and other irregularities or illegalities.

The tax authorities are entitled to inspect the company's operations at any time within 5 years after the expiry of the year for which tax must be assessed, which could result in additional liability for the payment of tax, default interest and penalty arising from corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that could result in potential significant liability in relation thereto.

Ljubljana, 23 April 2018

Damijan Zorko
(President of the
Management Board)

Benjamin Bambič
(member of the
Management Board)

Marc Breidenbach
(member of the
Management Board)

1.2. Report of the President of the Management Board

Dear employees and partners!

I am happy to report that we set quite a few milestones in 2017 that are certain to be mentioned when talking about our company's history. We will remember the year by the record quantities collected which exceeded 460,000 tons. Over each and every month, we were amazed when looking at our operations and the realisation of the path we had set for ourselves. When pursuing our plans, we were united by the vision, clear orientation, dedication, openness to new ideas and the respect for one another.

The year was a good one mainly in the area of iron and non-ferrous metals where the price trends were positive. The year brought some surprises in the area of non-metal waste where paper maintained last year's levels while the plastics market was strained after the introduction of limits on imports to China because Europe does not have sufficient capacities for the processing of plastics, which was in turn reflected in oversupply of waste plastic and the subsequent drop in prices. Despite the dynamic developments of the market, we can be more than proud of our final results.

2017 also saw the final arrangement of our ownership as the German company Scholz became the sole owner of Dinos at the end of the year. Following the arrival of this strategic and financially stable partner offers new development opportunities and the strengthening of the market position to Dinos.

We have achieved our years long aspirations, i.e. profitability and financial stability. Our profit nearly doubled YOY and the growth in the quantities of materials proves that we are a trustworthy company. As regards the financial policy, we followed the credit plan and are today one of the companies with low debt levels. The net financial debt and EBITDA ratio is at 1.8, which ranks us among companies with an excellent credit rating. Last year's profit was channelled to the attainment of the set strategic goals, the priority being the updating of production equipment and the vehicle fleet.

We continued to optimise processes at all levels of operations and introduce new services which can in conjunction with the digitalisation of production also improve our competitive advantage.

We build our business on our advantages, goodwill, widespread network of our centres in Slovenia, expertise, excellent logistics and readiness to search for new solutions. We also build on our employees, good organisational climate and a pleasant working environment as it is only thus that we can make our common goals attainable.

We are an active member in the environmental protection and circular economy chain, and we truly follow this path and develop our packaging scheme because we want to close the materials loop including plastics, glass, metals and paper.

We have been working for years as a socially responsible company and collaborating as an active partner in the awareness building and humanitarian project entitled »Old Plastic Bottle for a New Life«, within the scope of which we work with the Ecoschool and the Tandem Society to collect plastic bottles and allocate profits to Slovenian maternity hospitals.

Under the »I Collect Waste Paper and Support a Friend« project, we work with the Pismo srca society and the Ecoschool and allocate the funds so collected to scholarships for socially disadvantaged children.

To this end, we establish ties with an ever increasing number of educational institutions each year, and wish to attract our partners to join in our efforts through the positive stories that we help write in this area.

We will continue our involvement in the local community and strive to make a connection with all generations of residents. Our company's doors are open to everyone as we wish to demonstrate the importance of our industry and become the first choice for everyone who strives to give waste materials a new lease on life.

Dinos is certainly the »Wise choice for a clean future« for both us and you.

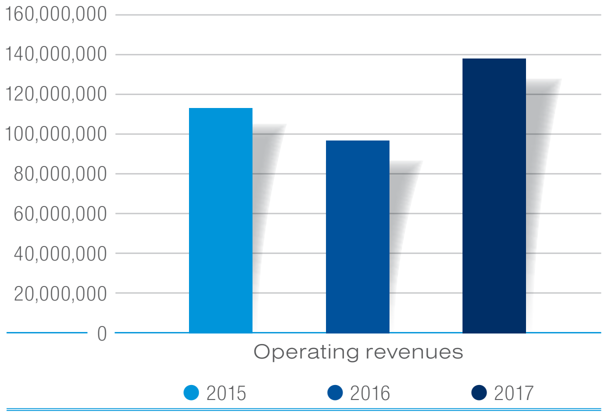
Damijan Zorko
President of the
Management Board

1.3. Operating highlights in 2017

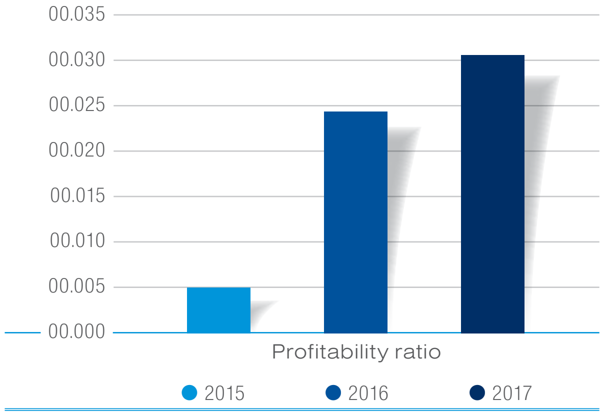
	2017	2016	2015	Index 2017/2016
Operating revenue	**137,743,832**	97,903,758	112,191,588	**141**
Net sales revenue	**137,370,715**	97,744,064	111,653,792	**141**
Operating profit/EBIT	**4,663,157**	2,932,999	967,524	**159**
EBITDA[1]	**7,288,002**	5,864,538	3,899,167	**124**
Total profit or loss	**4,331,164**	2,306,174	585,508	**188**
Net profit or loss	**3,629,279**	1,990,685	524,193	**182**
Employees as at the last day of the financial year	**303**	307	291	**99**
Profitability ratio (%)[2]	**3.14**	2.35	0.52	**134**
Operating efficiency indicator[3]	**1.04**	1.03	1.01	**100**
Profit per employee	**11,978**	6,484	1,759	**185**
Total company assets	**72,775,160**	65,246,831	62,960,391	**112**
Equity	**42,459,459**	38,825,210	36,756,403	**109**
Share of EBIT in sales revenues (%)	**3.4**	3.0	0.9	**113**
EBITDA margin (%)[4]	**5.3**	6.0	3.5	**88**
Net debt to equity[5]	**0.31**	0.33	0.45	**96**
ROE[6]	**8.55**	5.13	1.43	**167**
Equity to fixed assets ratio[7]	**1.24**	1.12	1.00	**110**
Equity financing rate[8]	**0.58**	0.60	0.58	**97**

[1] EBITDA = EBIT + write-offs
[2] Profitability ratio = total profit or loss/operating revenue
[3] Operating efficiency ratio = operating revenue / operating expenses
[4] EBITDA MARTGIN = EBITDA/operating revenue
[5] Net debt to equity = (current and non-current financial liabilities – cash)/equity
[6] ROE = net profit/equity
[7] Equity to fixed assets ratio = equity/fixed assets
[8] Equity financing rate = equity/liabilities

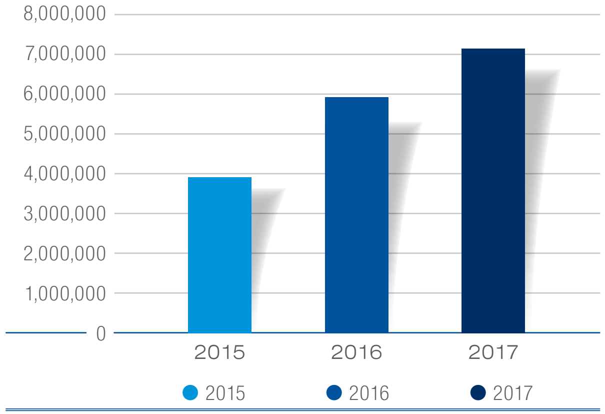
Operating revenues



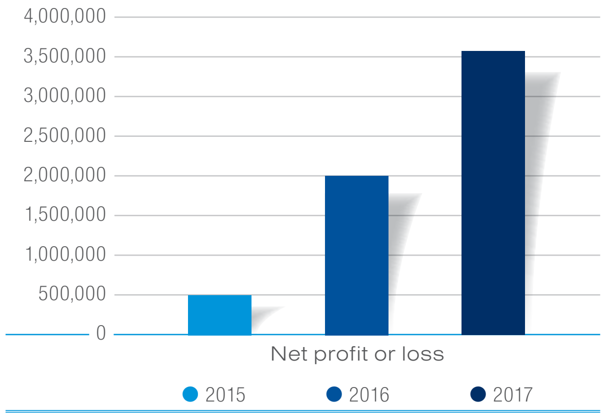
Profitability ratio



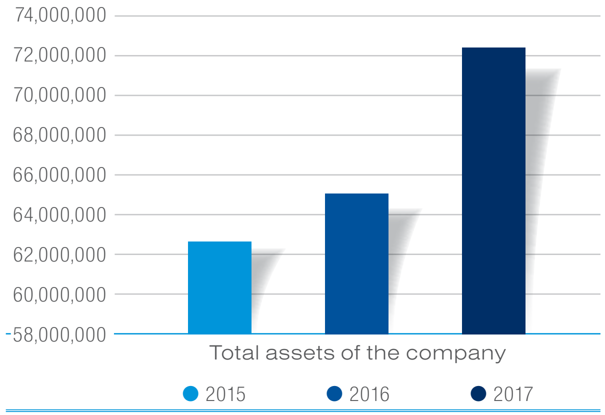
EBITDA



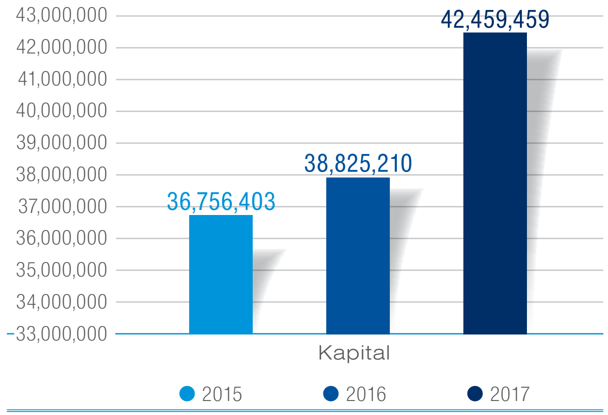
Net profit or loss



Total assets



Equity

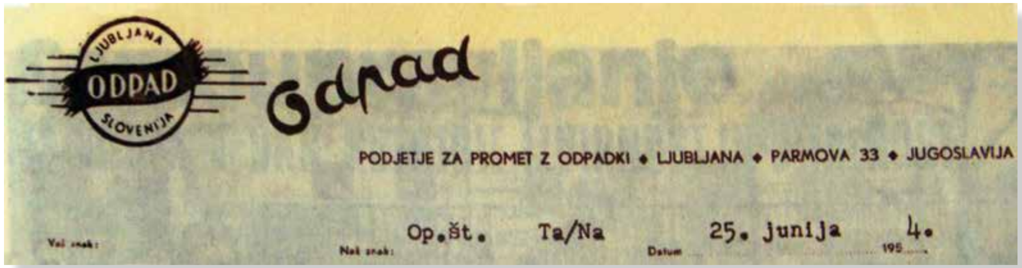


1.4. Presentation of the history of the Dinos d.d. company

Company history

1946

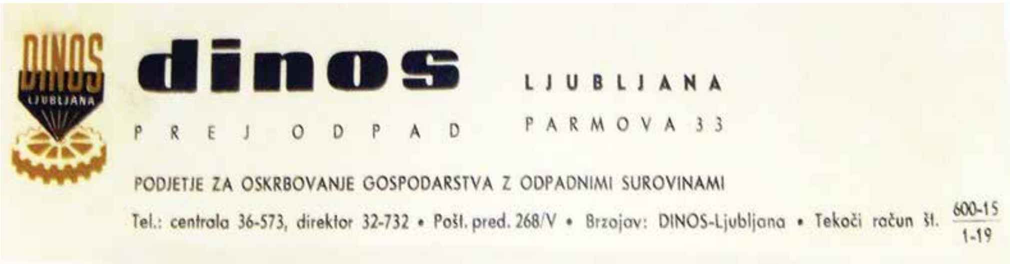
The company Dinos was founded in 1946 under the name Odpad; as a state-owned company, it was founded to collect waste for further use. The then Republic of Slovenia thus reduced its dependence on the imports of primary raw materials. Alongside the company Surovina, Dinos was the first company to carry out this activity. The former is still its biggest competitor on the market of waste raw material.



1963

1965

So far, the company and its business units have remained geographically dispersed within Slovenia. However, over time it has passed through many changes of organisational structure and legal form. In 1963, there was a competition for the selection of a new company name. The result of this competition was a new title - and since then, the company has been called Dinos. The change also concerned the substance, as at that time the Company already surpassed the technological development in the activity and was changing from a collector and buyer of waste material to a processor of secondary raw materials for the industrial processing of the materials. The removal of waste material in containers from the source of the waste to the end user was carried out during the years 1963 to 1965, and was a considerable novelty at that time.



[1] Dinos is the acronym for the Slovenian slogan »Dajmo Industriji Nazaj Odpadne Surovine« (»Let's give waste raw materials back to industry«).

1980 A period of prosperity was brought by the 1980s, when new warehouses were built and new raw material processing technologies were introduced. Containers for separate collection of glass and paper began to be installed, with which Dinos showed the way to waste separation, which only became well established a decade later. In the beginning of the 1990s, political changes strongly influenced the operations and organisation of the company.
1991 In 1991, the socially-owned company was reorganised to Dinos holding d.d. and nine public limited companies.
1997 This organisational structure was in place until 1997, when six limited liability companies in 100% ownership of the parent company were integrated in Dinos holding. An increasingly strict environmental legislation included new requirements and regulations concerning company operation; therefore, the business units had to meet the environmental criteria. During this period, the warehouses were technologically upgraded.

2001 The entry into the new millennium was also a turning point for Dinos. In 2001, to further strengthen confidence in the company, we obtained the certificates ISO 9001 Quality Management System and SIST EN ISO 14001:1997 Envi-
2005 ronmental Management System. In 2005, an extensive reorganisation of the company took place, namely a decision was taken on the acquisition of subsidiaries by the parent company, whereby a uniform system was established. In
2013 2013, we also established a strategic capital tie with the enterprise Scholz Holding GmbH (previously Scholz AG), which is one of the biggest companies engaged in the collection and recycling of waste raw material in Europe.

2014 In 2014, Scholz AG changed its legal status and, since May, has operated as Scholz Holding GmbH. This is a German limited liability company. Changing the legal status specifically facilitates effective company management.

Entering the new millennium, we began a period of intensive investment in the technological modernisation of warehouses since some of them did not comply with the environmental requirements. Dinos thus became the most modern and technologically advanced company in the branch in the territory of Slovenia.

[2] Scholz Holding GmbH is a German company that entered our company's shareholder structure in 2005 and became our sole owner in 2012. The company has been operating since 1872 and has expanded its business worldwide. It is currently the largest company in the world in this industry. In addition to Europe, it has companies in North America, Mexico, China, Africa, Australia and New Zealand.

2016 ushered in extensive changes to the Scholz Group in terms of the shareholder and management structure. In the second half of the year, a takeover was announced with the entry of the new owner, Chiho-Tainde Group (CTG), whereby the takeover process lasted by the end of the year.

Chiho Tainde was established in 1995 and has its registered office in Hong Kong. As of 2010, the company has been operating as a group under the name Chiho-Tainde Group Ltd or the abbreviation CTG and its shares are quoted on the Hong Kong stock exchange (HKEx code: 00.976). The company has been growing and strengthening its global market share through continuous expansion.

The Scholz Group underwent a restructuring that was successful thanks to the extensive financial and operational support from CTG. In December 2016, the CTG Group met at an extraordinary General Meeting in Hong Kong where the shareholders approved and confirmed the proposed takeover and the Scholz Group became fully owned by CTG. A short, medium and long-term development strategy was drafted.

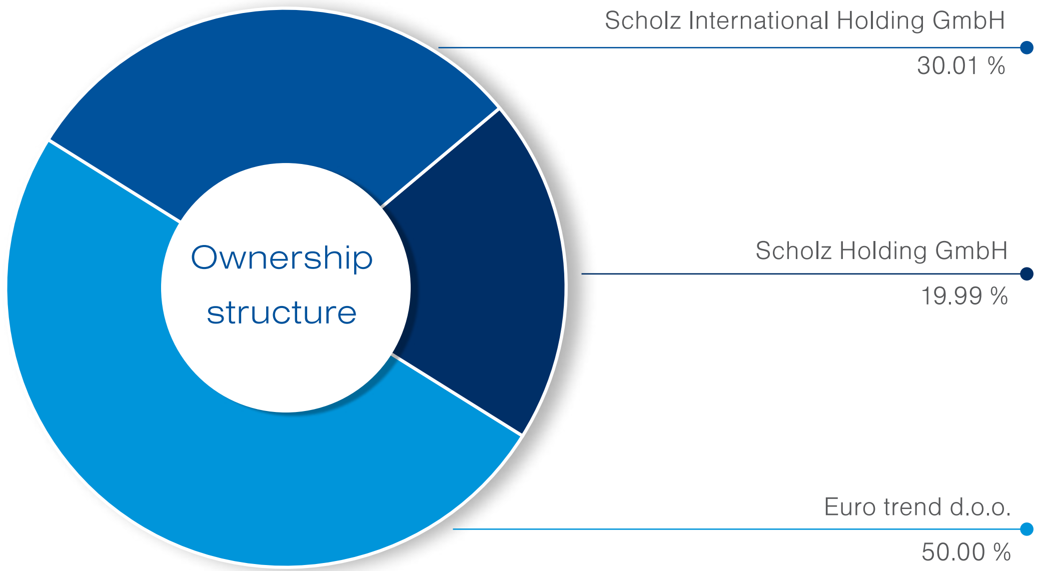
CTG was renamed in 2017 to Chiho Environmental Group Ltd or CEG.

At the end of November 2017, the C.I.O.S Group exited the Scholz Group. C.I.O.S. d.o.o. sold its shareholding in Dinos d.d. to Scholz Holding GmbH.

Below is the ownership structure (beneficial owners in accordance with the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT)) as at 31 December 2017.

The largest owners	Share in%	Number of shares
Scholz International Holding GmbH	30.01 %	16,394
Scholz Holding GmbH	19.99 %	10,921
Euro trend d.o.o.	50.00 %	27,314
SKUPAJ	100.00 %	54,629

The largest beneficial owner of Chiho Environmental Group is Mr. Tu Jianhua.




BE NOT AFRAID OF GOING SLOWLY, BE AFRAID ONLY OF STANDING STILL.
(CHINESE PROVERB)

1.5. Corporate governance statement

In accordance with Article 70 of the Companies Act (ZGD1-I), Dinos d.d. hereby declares that it observes the applicable legislation, regulations, other statutes and implementing regulations as well as internal rules and instructions in its operations. The company applies the »Corporate Governance Code for Unlisted Companies« (hereinafter: the Code), which is available on the website of the Slovenian Directors' Association:

http://www.zdruzenjens.si/uploads/Kodeks_upravljanja_za_nejavne_druzbe_maj_2016.pdf.

Dinos d.d. is managed to the benefit of the company by the Management Board which does so independently and at their own risk. The Management Board is appointed by the Supervisory Board in accordance with the company's Articles of Association. The Management Board performs its work in accordance with the applicable legislation and the company's Articles of Association. The Management Board of Dinos d.d. is represented by:

- President of the Management Board Damijan Zorko,
- member of the Management Board Benjamin Bambič and
- member of the Management Board Marc Breidenbach.

Supervision is performed by the Supervisory Board which is appointed by the General Meeting of Shareholders in accordance with the company's Articles of Association. As of 7 February 2018, it has been operating in the following composition:

- President of the Supervisory Board Goh Kian Guan,
- Deputy President of the Supervisory Board Greulich Mike Volker and
- member of the Supervisory Board Božo Zeko acting as the workers' representative.

The General Meeting of Shareholders is represented by three shareholders, i.e.:

- Euro Trend d.o.o.,
- Scholz International Holding Gmbh and
- Scholz Holding Gmbh.

All of the competences and tasks of the General Meeting of Shareholders, the Supervisory Board and the Management Board are laid down in the company's Articles of Association (hereinafter: Articles of Association) published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services, i.e. the Slovenian Business Register – public database on all business entities having their principal place of business located on the territory of the Republic of Slovenia (www.ajpes.si).

System of internal controls and management related to the risks associated with the financial reporting procedure

The company's Management Board safeguards the company's assets by providing for the following:

- keeping of relevant books of account on a uniform financial reporting and business IT system;
- setup and assurance of the functioning of internal controlling;
- setup and assurance of the functioning of internal financial reporting controls; and
- selection and application of accounting policies.

The aim of the internal controls system is to:

- ensure accuracy, reliability and completeness of accounting records;
- true and fair financial reporting;
- compliance with legislation and other regulations; and
- efficiency and good performance of operations:

The company's Management Board strives to ensure a control system that is most effective in intercepting negative events and is at the same time optimised in terms of costs and organisation. The company's Management Board further strives to continuously verify the system of controls because they are aware of the limitations of every such system. The Management Board uses the system to provide timely warnings and assurances in order to fulfil the purpose of controls.

The company's Management Board believes that the current internal controls system ensures effective and efficient operations in accordance with legislative provisions thus ensuring air and transparent reporting in all material respects.

Diversity of employment

Dinos d.d. strives to implement a policy of diversity when hiring people, which includes the assurance of equal opportunities and equal treatment of all employees irrespective of their circumstances. The company has not adopted any special diversity policy relating to representation in the company's management or supervisory bodies or criteria relating to the aspects such as gender, age or education.

Clarifications regarding the provisions of the Code not observed in their entirety by Dinos d.d.:

Point 2.1.1. The Dinos company does not have objectives defined in the Articles of Association. The company's management pursues the objective defined by the Code, i.e. to maximise the company's value.

Point 2.4. The company's Articles of Association are published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services, i.e. the Slovenian Business Register – public database on all business entities having their principal place of business located on the territory of the Republic of Slovenia (www.ajpes.si).

Point 2.5.3. Supervisory Board members were simultaneously shareholders until the end of November 2017.

Point 2.5.4. The Statement of Independence is not signed. The management as well as the Supervisory Board thus avoid any conflict of interest and act in the spirit of the due skill, care and diligence principle.

Point 4.3.2. The supervisory body has not appointed an independent expert who not associated with the company or the company members.

Point 5.1.1. The supervisory body convenes as appropriate or less as envisaged by the Code.

Members of the management body are obliged vis-á-vis the company to perform their work responsibly, professionally, with the due skill, care and diligence, conscientiously and diligently as well as to continuously apply their knowledge required for the performance of their current or future work.

Ljubljana, 23 April 2018

Damijan Zorko (President of the Management Board)	Benjamin Bambič (member of the Management Board)	Marc Breidenbach (member of the Management Board)

THERE ARE THOSE WHO TRAVEL AND THOSE WHO ARE GOING SOMEWHERE. THEY ARE DIFFERENT AND YET THEY ARE THE SAME. THE SUCCESS HAS THIS OVER HIS RIVALS: HE KNOWS WHERE HE IS GOING. THERE ARE THOSE WHO TRAVEL AND THOSE WHO ARE GOING SOMEWHERE. THEY ARE DIFFERENT AND YET THEY ARE THE SAME. THE SUCCESS HAS THIS OVER HIS RIVALS: HE KNOWS WHERE HE IS GOING. THERE ARE THOSE WHO TRAVEL AND THOSE WHO ARE GOING SOMEWHERE. THEY ARE DIFFERENT AND YET THEY ARE THE SAME. THE SUCCESS HAS THIS OVER HIS RIVALS: HE KNOWS WHERE HE IS GOING. (MARK CAINE)

1.5.1. Work of the Supervisory Board

Supervision is performed by the Supervisory Board which is appointed by the General Meeting of Shareholders in accordance with the company's Articles of Association.

On 30 June 2017, the following Supervisory Board member was dismissed:

- member of the Supervisory Board Gregor Turk acting as the workers' representative.

He was replaced by Božo Zeko who was appointed on 23 August 2017.
Owing to the changes in the ownership structure, the Supervisory Board operated in different compositions in 2017. The following were dismissed on 13 July 2017:

- President of the Supervisory Board Berndt Urlich Scholz,
- member of the Supervisory Board Oliver Scholz.

The following were appointed as replacements for the above members on the same day:

- Petar Pripuz and
- Kai Lohmann.

On 1 August 2017, the following appointments were made:

- Petar Pripuz as President of the Supervisory Board and
- Kai Lohmann as Deputy President of the Supervisory Board.

At the end of 2017, the Supervisory Board operated in the following composition:

- President of the Supervisory Board Petar Pripuz;
- Deputy President of the Supervisory Board Kai Lohmann and
- member of the Supervisory Board Božo Zeko acting as the workers' representative.

On 16 January 2018, the following persons were dismissed:

- President of the Supervisory Board Petar Pripuz and
- Deputy President of the Supervisory Board Kai Lohmann.

The following persons were appointed as replacements for the above:

- member of the Supervisory Board Goh Kian Guan and
- member of the Supervisory Board Greulich Mike Volker.

Following reappointments on 7 February 2018, the Supervisory Board operated in the following composition:

- President of the Supervisory Board Goh Kian Guan,
- Deputy President of the Supervisory Board Greulich Mike Volker and
- member of the Supervisory Board Božo Zeko acting as the workers' representative.

1.5.2. Work of the General Meeting of Shareholders

The General Meeting of Dinos, d.d. was convened for a regular session on 29 August 2017. At the said session, it was briefed on the company's annual report for the 2016 financial year, the auditor's opinion, and the written report of the Supervisory Board on the verification of the 2016 annual report.

The company's distributable profit of EUR 13,591,775.81, which is represented by the profit brought forward of EUR 11,601,091.21 and the net profit for the 2016 financial year of EUR 1,990,684.60, will remain undistributed.

The company's General Meeting granted a discharge to the Supervisory Board for the 2016 financial year.

The company's General Meeting also granted a discharge to the Management Board for the 2016 financial year.

It selected ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o., Dunajska cesta 111, 1000 Ljubljana, reg. ID No. 5716888000 as the company's auditor for the 2017 financial year.

1.6. Vision, mission statement, strategy, and development

The vision reflects the desired future image of the organisation, its achievements, and its position in relation to influential participants and a mission statement that concisely summarises the philosophy and purpose for the existence of the company.

Vision:

"To remain a global leader in the collection and processing of waste using state-of-the-art technologies and in synergy with all the participants in the process of taking care of the environment and sustainable development."

Mission:

"With our ecologically-oriented and socially responsible operations, we help preserve the natural environment in Slovenia and the broader European region. Our task is to collect and recycle waste into marketable and high quality secondary raw materials for our customers. This gives us the possibility of intensive investment in new technological procedures for collecting and recycling waste, and investment in the expertise of our employees, which is our main competitive advantage, providing value for the owners and making the company attractive for business cooperation."

The main objectives we are pursuing are as follows:

- to maintain and consolidate the leading position in the market;
- to achieve stable annual growth;
- to maintain the Dinos trademark as trustworthy and attractive for long-term business relations;
- to increase the automation and flexibility of production, while cutting the costs of processing;
- to establish a lean organisational structure that can rapidly respond and adapt to market changes;
- to invest in the knowledge and expertise of the employees at all levels;
- to introduce activities and processes that prevent or reduce environmental impacts;
- to remain an ecologically and environmentally aware company and to be a reliable, trustworthy business partner.

Basic values:

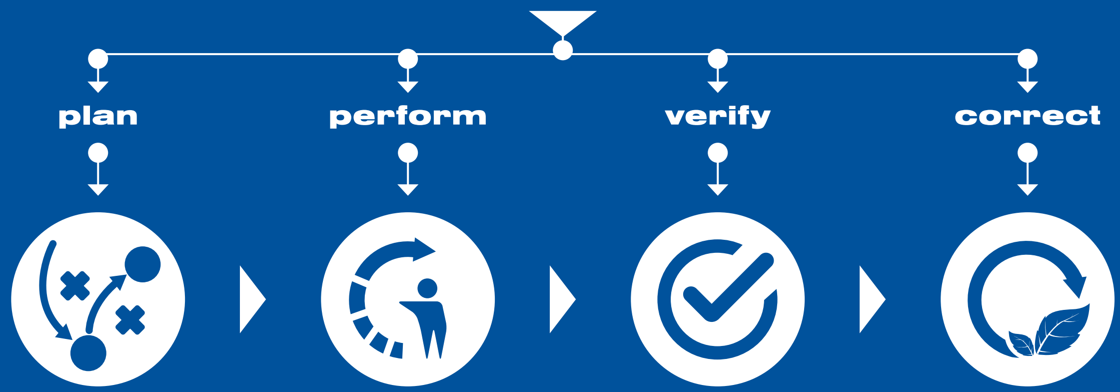
- open-mindedness;
- respect;
- efficiency; and
- team spirit;
- goal focus;
- commitment.

1.7. Quality and environmental management policy of Dinos d.d.

The basic orientation of the company is running its business in accordance with the principles of due skill, care and diligence of a good businessman the help of system tools, such as awareness of environmental impacts due to business activity, a focus on home and foreign markets, achieving objectives in order to enhance the stability of the company based on profit-making.

The basic aim of the operation of each business unit is the qualitative performance of the collection, recycling, submission, transportation, and trading of waste with a tendency to achieve better business results than the competition in the area of waste management services and similar materials, and a demonstrable **reduction of environmental risk**.

Through the mechanisms described in the organisational regulations (OR) and work instructions (WI), the company carries out and fulfils the requirements of the quality management and **environmental management** systems according to the principle



These objectives set in the annual plans are reviewed and verified by the management at periodic meetings. The objectives and plans are set and adjusted according to the actual situation and the findings. **The plans and goals include programmes to improve the environmental management system and the introduction of processes to prevent pollution and adverse effects on the environment.**

The basis of successful work is cooperation, horizontal and vertical communication within Dinos, and the cooperation and communication between the management and other organisational levels and interested parties.

We operate in a way that satisfies the owners and employees, and work within the immediate environment in which the business is conducted. **We care about the awareness of employees concerning operation in an environmentally friendly way.**

The company's management provides the necessary conditions for the implementation and achievement of quality objectives and **environmental objectives** at the management level through continuous education, training of employees at all organisational levels and checking the quality management system and the environmental management systems with managerial reviews and audits.

The company's management provides operations based on statutory and industry regulations mostly in the area of waste management and **environmental management** necessary for well-regulated, successful and **environmentally**-oriented business operation. The company takes into account and implements the requirements of the applicable legislation and adapts to international regulations that are necessary for quality operations without impact on the environment.

The policy of qualitative environmental management of the company is available to all employees to see by posting on billboards, web pages, and in the Quality Management Manual. The company's management introduces the policy of quality and environmental management to its employees with the intent of understanding and implementing it in the areas of its operation.

The objectives of quality and environmental management support the policy, and are defined in the annual business plan.

1.7.1. The main activities of the company related to the quality policy

The main activity of the Dinos d.d. company is the collection and pre-processing of waste in order to ensure the highest possible proportion of recycling of such waste. The very name of the company suggests its purpose: Let's give back waste raw material to industry. The company can provide this because it has warehouses across Slovenia intended for collecting waste and four Centres for processing waste in Ljubljana, Celje, Maribor and Naklo. For all of its 19 active sites, it has obtained the appropriate administrative acts, building and operating permits, certificate of registration in the register of waste collectors and environmental permits.

With such an organisation and appropriate technical equipment, as well as technically competent and professionally skilled staff and appropriate business connections with other companies dealing with waste, the Dinos d.d. company can provide global waste management services for a variety of production companies where various types of waste are generated.

For many years, the Dinos d.d. company has had in place a documented, operationally implemented and maintained quality and environmental management system constantly carrying out improvements at the level of the divisions and centres for processing. It has obtained the ISO 9001:2008 Quality Management System and the ISO 14001:2004 Environmental Management System certificates.

The basic orientation of the company is running its business in accordance with the principles of due diligence with the help of system tools, such as awareness of environmental impacts due to business activity, a focus on home and foreign markets, achieving objectives in order to enhance the stability of the company based on profit-making. The basic objective of the operations of individual business unit is the quality performance of the company activities with a desire to achieve ever better business results, while not forgetting that we must and are able to carry out this activity in a way that reduces environmental risks. Through mechanisms that are described in the organisational regulations (OR) and work instructions (WI), the company implements and complies with the requirements of the quality management and environmental management systems according to the principle "plan - perform - verify - correct".

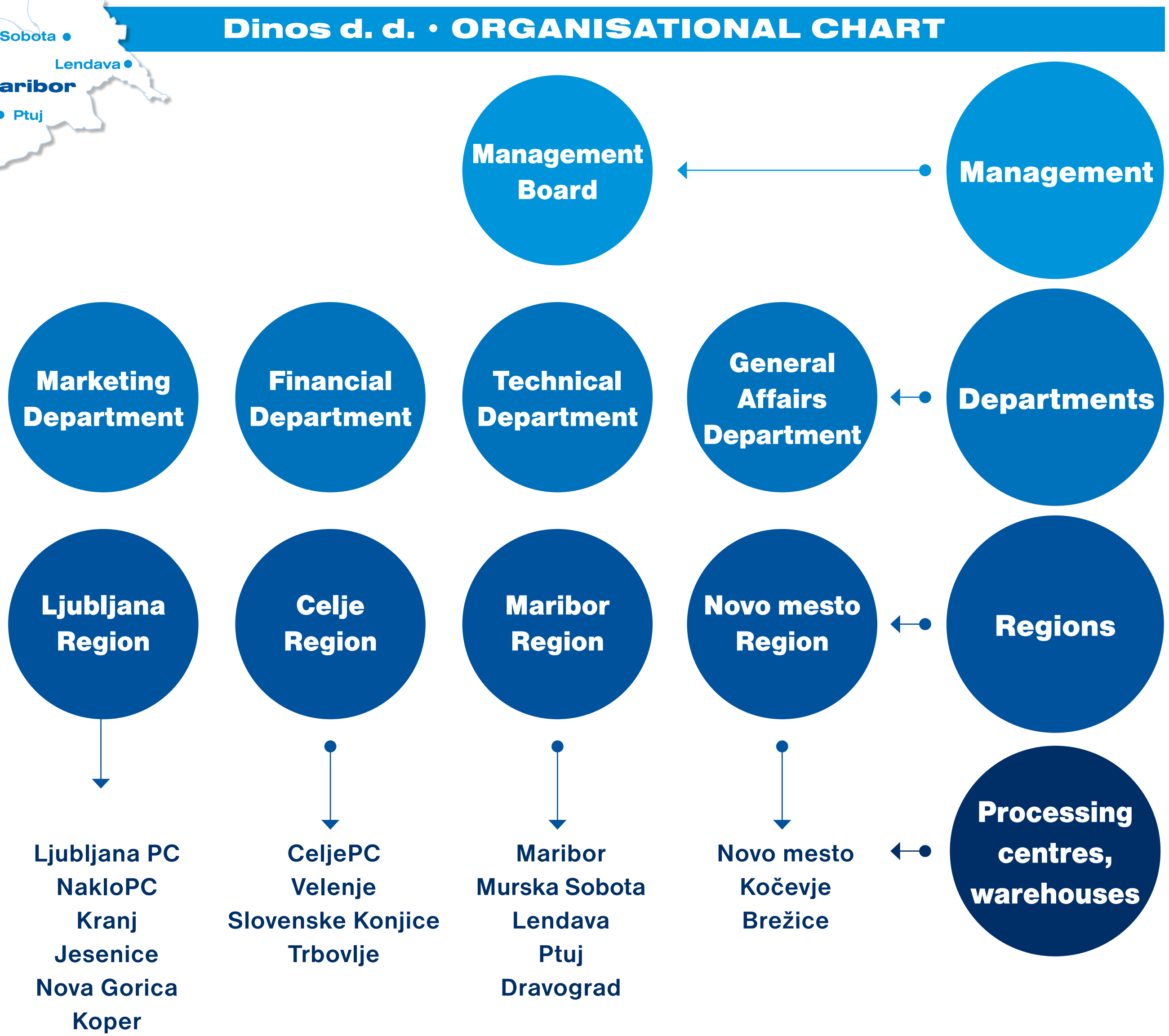
The Dinos d.d. company provides operations based on legal and industry regulations, preferably regulations in the field of environmental protection that are necessary for legitimate, effective and environmentally oriented operations. The company takes into account and implements the requirements of the applicable legislation and adapts to international regulations that are necessary for quality operations that do not impact the environment.

Management

Environmental risks and fire risks as well as risks arising from extraordinary events are managed by implementing the ISO 14001:2004 system. In accordance with the applicable system and legislation in the field of health and safety at work and fire safety, we prepare assessments of the environmental aspects and impacts of fire and workplace hazards.

The company employees are constantly educated in the field of health and safety at work; and instructions and warning signage are prepared in order to manage those risks to the greatest possible extent.

1.8. Organisation and HR policy



The company is managed by a three-member Management Board. The implementation of the company activity is organised into four departments:

1. Marketing Department
2. Technical Department
3. Financial Department
4. General Affairs Department

The company carries out its activity in 18 units across Slovenia, which are organised into a set of four regions: the regions of Ljubljana, Celje, Maribor and Novo mesto.

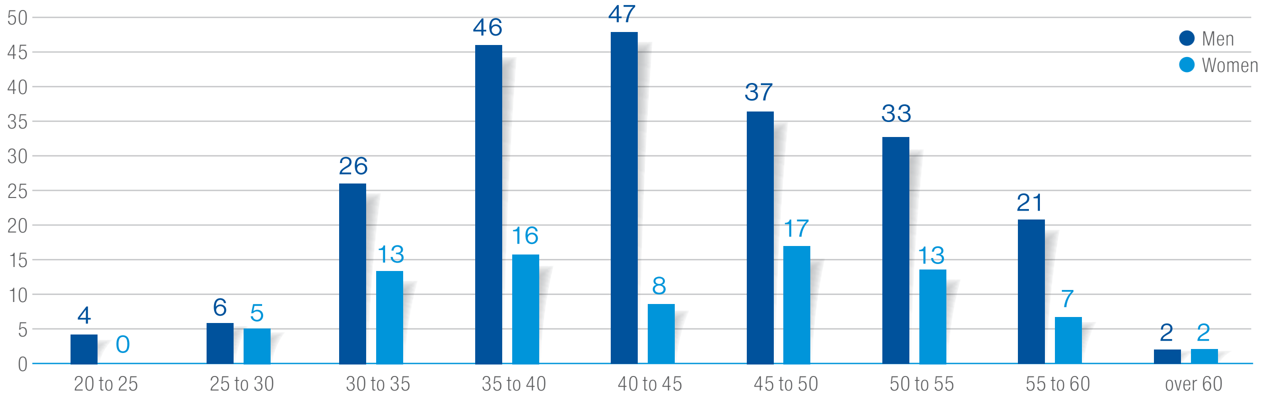
HR policy

As at 31 December 2017, Dinos d.d. employed 303 people, 81 of whom were women and 222 were men. In comparison with 2016, the number of employees decreased by 1%. At the end of 2017, 22 employees worked under a full-time contract, while 19 were posted. As at 31 December 2017, the company employed 18 people with disabilities, 6 of whom were working as part-time employees while the remaining ones worked as full-time employees.

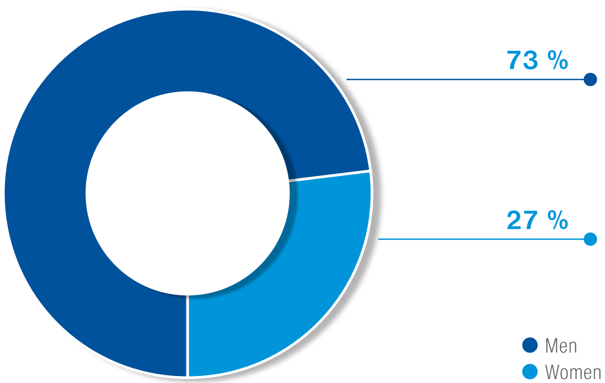
The average number of employees in terms of hours worked in 2017 was 301.05, while this number was 299.01 in 2016.

Employee age structure:

Employee structure by age and gender



Employee structure by gender

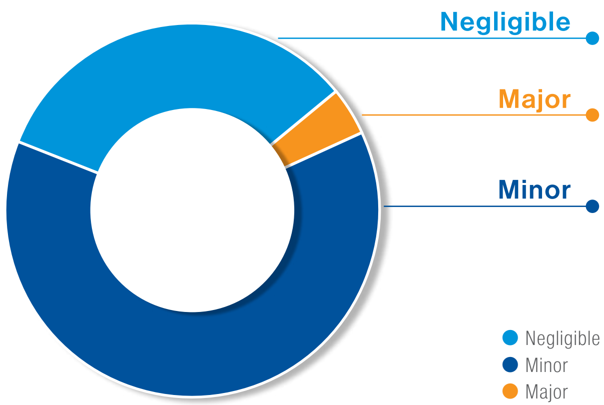


The average wage per employee in 2017 came in at EUR 1,456.79 gross, down 4.2% on 2016 when it came in at EUR 1,397.89.

Work-related accidents

In 2017, 24 work-related accidents occurred, 1 of which was serious while 23 were minor. Of the 23 minor accidents, 8 were so minor that the injured employees did not take any medical leave.

Work-related accidents 2017



Education and training

Satisfied employees represent are our strength which is why we work with them to build our orate culture and mutual respect, encourage creativity and the continuous search for new solutions.

Dinos conducts statutory training throughout the year. Training courses deal with safety and health at work as well as fire safety, and there are also courses for forklift operators, heavy machinery operators and the industrial railway track operators, courses for safe work at height and regular training courses for drivers.

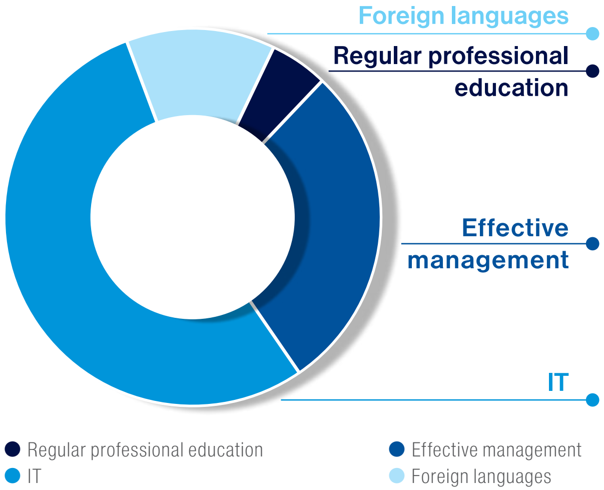
As we work in an industry that is closely tied to environmental protection, we also concurrently inform our employees of new environmental protection regulations and legislation. Our associates regularly attend professional training courses and participate actively at conferences, round tables and seminars associated with our primary activity and the circular economy. We took part in the Environment and Waste conference, the conference of ecoshool coordinators and the Business Environmental Day conference. We conducted training and a consultation of waste packaging for all of our liable entities and all those who care about where our packaging ends up.

We began developing the Dinos Knowledge Academy in 2017 because we want our employees to be aware of the importance of enhancing their knowledge, searching for new opportunities and improvements.

Within the scope of the academy, we:

- provided employees with further regular professional education at secondary technical schools;
- began a new set of workshops providing employees with ways of effectively managing their associates/subordinates;
- improved the knowledge in the area of IT;
- devoted a lot of attention to the learning of foreign languages.

Professional education and training courses in 2017



Because of the importance of open communication and ties between the employees at the company, we began to intensively develop internal communication, issue the internal corporate magazine, encourage employees to join sports sections and socialise at teambuilding events.

In order to raise the corporate culture, we developed the Dinos wise values:

- we laugh often and have a positive attitude;
- we do our very best;
- we always tells the truth;
- we support one another;
- we never give up;
- we keep our promises;
- we are good managers;
- we care for our customers and listen to them.

We set higher targets in the area of education and training each year because we want to develop our activity on solid foundations of knowledge and skills.

1.9. Marketing communications with social responsibility

At Dinos d.d., we are aware that

- **respect,**
- **dedication and**
- **solution-orientedness**

are a pre-conditions and the key for the satisfaction of our employees. The strategic diversification of sales in numerous markets requires adapting the marketing communications to the individual market. The communication method and tools at Dinos d.d. are therefore strongly adapted to the end-customers and registered waste brokers.

We build the trust of our partners on a personal level and use digital technologies to provide important information in a timely manner. In order to be even closer to our partners, we began developing the CRM program within the scope of our IT system.

"Dinos – Wise choice for a clean future" is distinguished by five stars:

- your needs and wishes are met by a TEAM WITH EXCELLENT EXPERTISE;
- our HIGHLY RESPONSIVE ASSOCIATES ARE AT YOUR DISPOSAL at 18 locations around Slovenia;
- we provide OUR OWN LOGISTICAL NETWORK including containers and the largest vehicle fleet;
- we are distinguished by TRADITION AND EXPERTISE that are based on 70 years of experience; and
- we consistently comply with all LEGAL REQUIREMENTS and do our business in a TRANSPARENT manner.

As a continuation of the realisation of our guiding principle of »giving old packaging a new lease on life«, we strive to connect companies and households into a waste packaging management cycle and inform them about the importance of recycling. This involves a range of awareness-building campaigns that we conducted in cooperation with our partners in 2017.

We raised the awareness of business partners, existing liable persons, potential customers and the broader public about the following:

- their professional management of various types of waste packaging;
- giving thought to the possibility of repurposing the packaging handed in;
- by sending them quarterly e-newsletters, we kept them up-to-date on all legislative and system developments and deadlines for the submission of reports;
- we participated in numerous professional events as lecturers: at the **Environment and Waste** conference, the conference of **ecoshool** coordinators and the **Business Environmental Day** conference.
- we organised lectures for existing liable persons and potential customers on the importance of waste packaging management and all of the mandatory legislation;
- using didactic games and creative workshops, we raised public awareness about the correct and consistent handling of waste packaging at the FOOD FESTIVAL in Vrhnika and at the **Minicity** creative spot for children in Ljubljana;
- we were an active partner of the **Žogarija** international project where we taught children and their guardians about the importance of separating waste packaging;
- in order to improve awareness-building for primary school goers, we participated in the creation of a multiplication table for third-graders featuring the **»Wise Dino«** who teaches about the separation of waste paper.

We are proud of our participation in two awareness-building humanitarian projects.

»I, You, Us for Slovenia – Old Plastic Bottle for a New Life« which included 194 educational institution that allocated the funds raised from waste plastic bottles to the purchase of an incubator for the Izola Maternity Hospital.

»I Collect Waste Paper and Support a Friend« within the scope of which waste paper was collected to provide scholarships to young people. There were 43 educational institutions that took part in the campaign.

We wish to convince our partners and the general public about the importance of our vision and the quality of our services through positive stories.

1.10. Environmental aspects of the company

Ecology

The Dinos d.d. company carries out its activities in 19 locations across Slovenia. It obtained suitable environmental permits for all these locations, for waste management, emissions into the air and water. However, time and again, new needs and/or opportunities arise for further activities in the field of waste management. Therefore, the Dinos d.d. company makes sure that it obtains additional relevant licences and certificates. Within the scope of the procedure for the extension of the collection certificate that is issued for all locations, we detected an increased need for additional waste quantities that we are able to accept and manage.

Dinos is a waste packaging management company operating under the name of Družba za ravnanje z odpadno embalažo Dinos d.d. (DROE Unirec).

Environmental impact monitoring

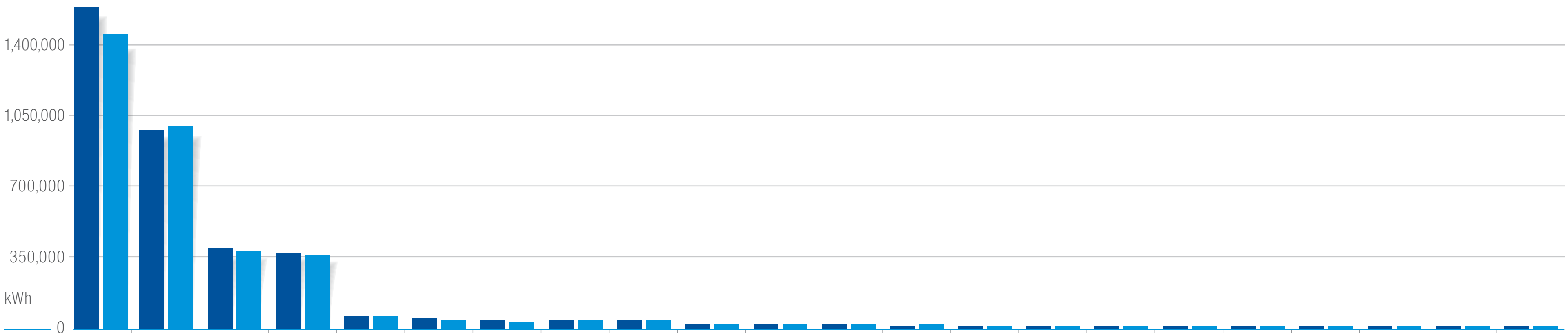
Every year we prepare a measurement and monitoring plan for the current year, both to carry out measurements of noise, water and air pollutant emissions and to assess waste and analyse the waste created. In 2017, we planned for 31 waste water monitoring campaigns and then went on to carry out 33. We also planned for 9 noise monitoring campaigns and also carried out 11 measurements of particulate air emissions (dust particles).

All of the planned measurements were carried out and demonstrated that the activity of the company in all locations has no negative impact on the environment or that activities are carried out within the prescribed emission limits.

Electricity

Electricity represents one of the major individual environmental costs of the company which differs greatly from one location to the next. The consumption of electricity depends strongly on the types of machines an individual locations uses. The biggest consumer of electricity is the Naklo location which also processes the most waste. Despite the increase in processed quantities of waste at this location, the consumption of electricity is constant.

Electricity consumption (kWh)



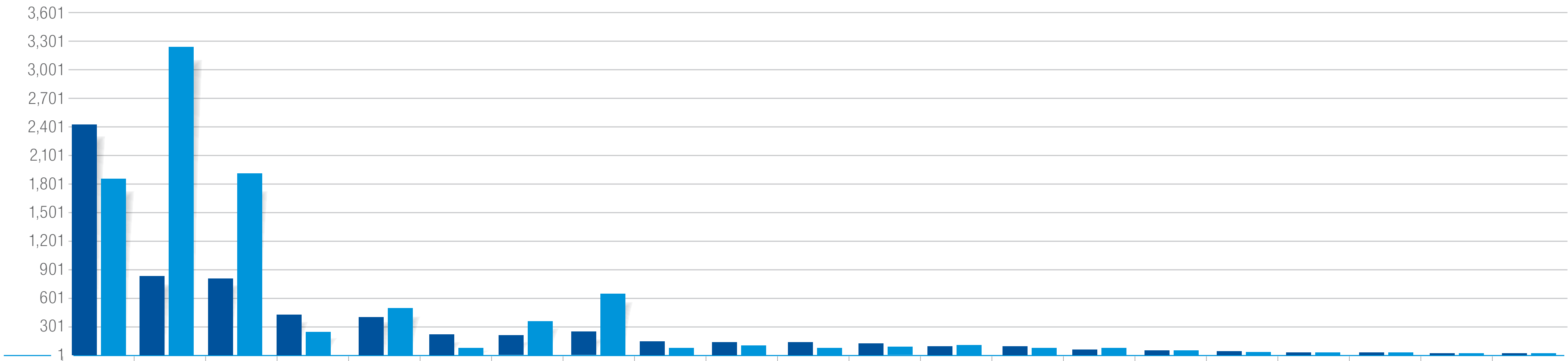
	Naklo	Ljubljana	Celje	Maribor	Novo mesto	Kranj	Koper	Trbovlje	Murska Sobota	Dravograd	Jesenice	Trbovlje - Neža	Črnomelj	Kočevje	Ptuj	Velenje	Brežice	Nova Gorica	Sevnica	Slovenske Konjice	Lendava	Idrija
2017	1,656	958,1	411,6	381,0	69,20	61,33	53,98	46,38	44,91	25,98	23,59	22,20	11,06	10,14	9,731	8,953	8,645	8,522	6,188	5,357	2,826	510
2016	1,477	970,2	399,5	344,2	72,33	48,73	44,23	46,88	42,40	23,46	22,46	17,65	17,10	7,937	6,108	10,05	5,533	9,746	4,292	3,259	2,751	414

Locations in Slovenia

Water consumption

Water consumption at Dinos is tied to consumption associated with hot water needs and the washing of vehicles and warehousing premises. Water consumption in this regard is highest at the Ljubljana location which also the largest location of Dinos d.d.

Waterconsumption in m³



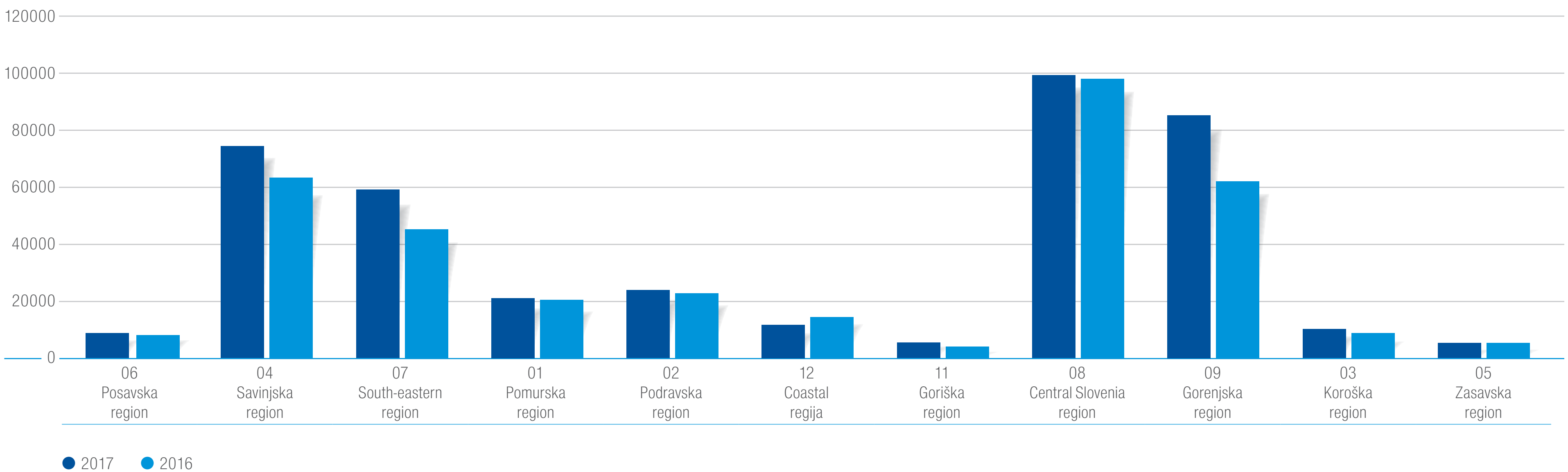
	Ljubljana	Naklo	Celje	Kočevje	Črnomelj	Jesenice	Maribor	Koper	Slovenske Konjice	Kranj	Novo mesto	Velenje	Trbovlje	Brežice	Dravograd	Murska Sobota	Nova Gorica	Sevnica	Lendava	Trbovlje - Neža	Ptuj
● 2017	2,407	825	816	432	408	220	206	257	142	132	131	129	103	93	67	41	38	24	21	16	7
● 2016	1,848	3,206	1,979	242	487	70	343	656	72	111	70	90	113	88	79	47	25	22	13	10	7

Locations in Slovenia

Waste acceptance and management in 2017

The quantity of waste accepted by statistical region in 2017 increased by 1.1 pp YOY. The quantity of waste accepted by individual region in 2017 is as follows compared to 2016:

Waste acceptance and management in 2017/2016



1.11. Risk management at Dinos d.d.

Dinos d.d. company, like all economic entities, face risks and opportunities on a daily bases. These could potentially have a negative or positive impact on the financial position and profit or loss of the company, business continuity, employees and the realisation of objectives and strategies. The biggest impact on the business in recent years was the economic crisis. We are aware of the exposure to various risks, both internal and external factors that are constant in conducting business. Therefore, a comprehensive approach is required for effective regular monitoring and risk management. Thus, risk management is integrated into all areas of activity.

In 2017, the company identified the key risks, which were categorised into three main groups, namely business risks, financial risks and IT risks.

Business and operational risk				
RISK	**DESCRIPTION OF RISK**	**METHOD OF MANAGEMENT**	**EXPOSURE**	
Business risks	Purchasing risks	Instability of raw material prices, unsuitability of input material, unreliable service	Multiple supplier policy, long-term collaboration, minimum stock, purchasing price hedging	Moderate
	Sales risks	Instability of raw material prices, competition, buyer's negotiating power	Search for new sales opportunities, expansion to the global market, sales price hedging, FX forwards	Moderate
	Environmental risk	Risk of incidents, unsuitable substance handling	Regular preventative inspections of functioning, implementation of improvements, employee training	Moderate
	Personnel area	Replaceability of essential staff, professional qualifications, social dialogue with employees	Systematic work with personnel, regular education and training	Moderate
	Risks related to health and safety at work	Accidents at work, unplanned extended absences	Defined in the Risk Assessment and Risk Statement	Moderate
	Fire safety risk	Fire hazards	Compiled fire safety order for an individual location, defined in the Fire Hazard Assessment	Moderate
Financial risks	Solvency (liquidity) risk	Decrease in liquidity reserves for the coverage of operating and financial liabilities	Supervision of the matching of maturities, revolving loan	Moderate
	Credit risk	Irregular inflows	Active supervision of the changes in receivables and liabilities, regular buyer and supplier rating monitoring, security for receivables, recovery of receivables	Moderate
	Price and currency risk	Volatility of prices and the EUR/USD exchange rates	Price hedging using derivatives	Moderate
	Interest rate risk	Sudden rise in the variable part of interest rates	Hiring loans in the domestic currency (EUR) and the interest rates are linked to the EURIBOR	Low
IT risk	IT risk	Malfunctioning of IT	Data archiving, regular upgrades and updates, regular maintenance	Moderate

Purchasing risks

Definition

The industry in which the company operates is exposed to the volatility of raw material prices, as these are influenced solely by the law of supply and demand. This risk level is assessed as moderate.

Management

As far as possible the company uses the appropriate instruments to mitigate risk, whereby it reduces its exposure to volatility in the raw materials market. The purchasing department manages risk by conducting a multiple supplier policy in order to limit the dependency on a single supplier and target building long-term stable relationships. The company enters into contracts with different maturities and thus controls purchase-related risks. We strive to pursue a policy of minimum stock and short inventory turnover. We operate globally while continuously searching for alternative sources in Europe and the markets of the former Yugoslavia. Price volatility is managed by forward purchases of quantities and prices of purchases as well as sales on the stock market through the Scholz Group.

The management estimates that the exposure to purchase risks is moderate.

Sales risks

Definition

These are the risks associated with the possibility of successful sales of raw materials to the target market and price volatility. They relate to the growing power of competitors, the negotiating power of customers and substantial dependence on a particular market or customer. This risk level is assessed as moderate.

Management

We were able to establish new sales channels, which allows the diversification of a risk of exposure to individual customers or regions. The company Dinos is both more flexible and can focus its sales to different markets in relation to the movement of prices. For a consistent supply, we use the synergies with strategic partners in the Scholz Group.

Environmental risks, risks relating to health and safety at work and fire safety risks

Environmental risk

Definition

Since the company Dinos performed its activity at 18 locations in 2017, the environmental risks, risks involving health and safety at work and fire safety risks are defined and identified for each location separately. We are aware that the implementation of the company‘s activities may have negative effects on all segments of the environment either due to the implementation of the activity itself or to environmental or other disaster (fire, floods, extreme wind conditions, etc.). Furthermore, the implementation of the company's activity may itself also have negative impacts on human health. This risk level is assessed as moderate.

Management

Environmental risks and fire risks and risks arising from extraordinary events are managed by implementing the ISO 14001:2004 system. In accordance with the applicable system and legislation in the field of health and safety at work and fire safety, we prepare assessments of the environmental aspects and impacts of fire and workplace hazards.

The company employees are constantly educated in the field of health and safety at work, instructions and warning signage are prepared in order to manage those risks to the greatest possible extent.

Risks related to health and safety at work

We are committed to ensuring that each individual acts responsibly and to thus creating safe working conditions and doing everything to prevent accidents at work. Over the decades of our operations, we have been setting up mechanisms and implementing activities in this area. We are aware at the company that health and safety in the workplace and in the working environment, in addition to their basic purpose, ensure employee satisfaction. Therefore we constantly strive to reduce the level of risk that results from the implementation of work processes and procedures. Due to the development and introduction of new work processes, the work environment is changing and we follow all changes successfully. We are looking for solutions that are healthy and safe for the employees. A Risk Assessment has been produces for all our locations and a Safety Statement was adopted, of which all employees are informed. In accordance with the above-mentioned document and legal framework, we also carried out inspections of the working environment, work equipment, periodical medical examinations of employees, introductory and periodical training of employees – theoretically and practically, in the field of health and safety at work. Employees conducting first aid training courses are specified for individual locations. The company strives for additional training of employees in handling individual means of work.

The new processes and projects include the latest developments in the field of health and safety at work and monitor the risk of accidents and health problems. Risks are assessed periodically and are kept at acceptable levels using safety precautions. Priority in the development of health and safety at work is to reduce the risk in exposed positions of employment and linking that with other areas of safety, especially in the field of fire protection, environmental protection and chemical safety. In accordance with the applicable legislation, the company drafted and adopted the statutorily prescribed regulations on internal control.

Fire safety risk

We are aware at the company that fire safety is an important segment for the successful and safe operation of the company. Fire safety is managed in accordance with the applicable legislation in this area. The area is supported by the Fire Hazard Assessment, the Fire Safety Order and an extract of the Fire Safety Order for an individual location about which employees have been familiarised. Periodic inspections of the status of fire safety, prescribed measurements for lightning protection devices, electrical installations, hydrant networks, smoke detectors, emergency lighting and fire extinguishers are performed in accordance with these documents and legislation. Employees are involved in recurrent training in fire protection, fire drills are carried out, and certain employees are also trained to carry out initial firefighting and safe evacuation training.

Financial risks

The company identified four risks, namely:

- Solvency risk
- Credit risk
- Currency risk
- Interest rate risk

Solvency (liquidity) risk

Definition

Solvency – liquidity risk comprises the risks related to a deficit in available financial sources and the resulting inability of the company to fulfil financial and operating liabilities within the agreed deadlines. The responsibility for managing solvency risk lies with the Management Board.

This risk level is assessed as moderate.

Management

The risk of short-term solvency is well under control owing to effective cash management, adequate available credit lines for short-term matching of cash flows (revolving loan), a high level of financial flexibility and good access to financial markets.

We ensure long-term solvency with an adequate financial balance of equity and debt capital and sustainable ability to generate cash flows from operations, improve the structure of maturities of financial liabilities as well as the appropriate capital structure.

This risk level is assessed as moderately managed.

Credit risk

Definition

Credit risk refers to the risk of default of the counter party, which is reflected in the loss from operations and financing. This risk level is assessed as moderate.

Management

The company has formulated a policy of active credit risk management, which includes the concurrent monitoring of outstanding receivables, limiting the exposure to individual customers through a limit system, charging default interest and using a debt collection policy.

The following procedures are performed in credit risk management:

- definition of significant receivables and insuring material credit exposure through an insurance company;
- obtaining appropriate security (in terms of granted loans usually securities, mortgage, etc.) for the remaining customers, defining limits for customers depending on the customer's credit rating and estimated annual turnover);
- limits of customers are checked at least once a year;
- checking the creditworthiness of new and existing customers (at least once a year);
- the credit rating department obtains collateral in the form of bank guarantees or letters of credit for customer receivables in classes with high risk, weekly monitoring of outstanding and overdue receivables and the anticipated repayment and recovery;
- sales to a buyer are suspended when one of the following conditions is met: exceeded limit, overdue receivables by more than 90 days, the customer's bank account is frozen or other external information is obtained indicating significant financial difficulties on the part of the debtor.

Price and currency risk

Definition

It represents a risk if the company performs sales and purchases in the global market. This risk level is assessed as moderate.

Management

The exposure to EUR/USD exchange rate risk arose with the expansion of operations to the global market and is tied to the growth of the group of which Dinos is a part. The company hedges currency risk through the FX forwards through the Scholz Group. As at 31 December 2017, the company recorded no currency risks. Furthermore, it has no other foreign currency assets and liabilities. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

Interest rate risk

Definition

Despite the continuation of the process of reducing financial indebtedness to banks, the company is still exposed to the risk of rising interest rates on the money market. The company is exposed to interest rate risk due to variable interest rates. This risk level is assessed as low.

Management

All the liabilities arising from borrowings are EUR-denominated and the interest rates are linked to the EURIBOR. The interest rates remain at a low level and no rapid increase is expected in the short term. The balance of liabilities arising from borrowings continues to fall in line with amortisation plans. The fixed interest rate as a hedging instrument is currently much higher than the expected interest rates. In order to manage major investments and in the event of consequent raising of long-term loans, we use suitable derivatives.

IT risk

Definition

The risks of uninterrupted functioning of hardware and software are associated with the uninterrupted functioning of said equipment. The requirement is for the continuity of operations.

Current risks relating to IT are risk of intrusion into the secured IT system via different access points. This risk level is assessed as moderate.

Management

System architecture and the relevant system equipment were regularly upgraded and updated. The entire system is stable and smoothly running, without emergency halts, both at the central location and dislocated units. The entire system has been regularly maintained.

In 2017, we implemented a system architecture upgrade in line with the plan. We updated the key servers and thus ensured the urgently needed expandability of the users' working environment. We devoted a lot of attention to consistent archiving of essential content and security against unwanted content. We also arranged an additional security filtering of content received, which requires additional financial sources and assets. It turned out that the investment was more than warranted. It was only thus that we could ensure a state of practically zero downtimes of the entire system and maximum availability of IT capabilities for uninterrupted work of users.


EVERY JOURNEY STARTS WITH A SINGLE STEP.

1.12. Performance analysis

1.12.1. Operational performance in 2017

	31 Dec 2017	in EUR 31 Dec 2016	2017/2016 index
Total net sales revenue	137,370,715	97,744,064	141
Total operating revenue	137,743,832	97,903,758	141
Total costs of goods, material, and services	-120,472,586	-83,217,032	145
Total labour costs	-8,011,799	-7,367,922	109
Write-downs	-2,624,845	-2,931,539	90
a) Depreciation and amortisation	-2,527,740	-2,727,376	93
Total costs	-133,080,675	-94,970,759	140
Operating profit/EBIT	4,663,157	2,932,999	159
Total finance income from loans	34,414	32,358	106
Total finance income	394,238	127,623	309
Total finance expenses from financial liabilities	-299,668	-457,535	65
Total finance expenses	-844,505	-862,546	98
Profit from ordinary activity	4,212,890	2,198,076	192
Total profit or loss	4,331,164	2,306,174	188
Corporate income tax	-700,776	-359,799	195
Net profit or loss for the period	3,629,279	1,990,685	182

Dinos d.d. generated **sales revenues** worth EUR 137.4 million in 2017, up 41% on 2016. The amount of operating revenues is affected by the higher sales volumes and favourable price trends on the global market in 2017, which in turn affects the entire structure of operating profit or loss.

EBIT came in at EUR 4.7 million, up 62% on 2016. The biggest impact on the EBIT v in 2017 was the positive ratio between fluctuations of purchasing and sales prices and the aforementioned higher sales volumes.

The rationalisation processes in previous years represented the beginning of cost management to the extent of us being able to raise efficiency of all processes which was in turn reflected in higher profitability.

Of the financial indicators of operating performance, it was interest that had the biggest impact on the amount of expenses which dropped 2% because of the deleveraging in 2017. Finance expenses and finance income from derivatives were recognised in 2017; we used these instruments as a hedge against price swings on the world market. Finance expenses came in at EUR 489 thousand, while income amounted to EUR 178 thousand.

Operating costs

Operating costs	31 Dec 2017	in EUR 31 Dec 2016	2017/2016 index
Cost of goods and materials sold	104,469,842	67,173,523	156
Cost of material	2,969,369	2,497,286	119
Cost of services	13,033,375	13,546,223	96
Labour costs	8,011,799	7,367,922	109
Write-downs	2,624,845	2,931,539	90
Other operating expenses	1,971,446	1,454,266	136
Total costs	**133,080,675**	**94,970,759**	**140**

Operating costs in 2017 came in at EUR 133.1 million, up 40% on 2016. The cost of goods and materials sold had the biggest impact on costs as they were up 56% on 2016. The reason was the higher sales volumes.

Labour cost in 2017 came in at EUR 8 million, down EUR 0.7 million or 9% on 2016. The reason for the increase was the higher performance-based bonuses.

The biggest increase in percentage terms in 2017 was recorded by other operating costs that came in at EUR 2 million, up EUR 0.5 million on 2016. The increase of 36% was the result of the increase in the costs of further management of waste generated after processing and because of hazardous waste that we collected from the companies, to which we provide the global waste management service.

1.12.2. Balance of assets and liabilities as at 31 December 2017

	31 Dec 2017	in EUR 31 Dec 2016	2017/2016 index
ASSETS			
A. Non-current assets	37,847,749	38,128,067	99
B. Current assets	34,814,241	26,792,634	130
I. Inventories	8,574,017	6,026,706	142
II. Current financial assets	1,943,223	1,665,223	117
III. Current operating receivables	23,901,226	18,971,441	126
IV. Cash	395,776	129,264	306
C. Short-term deferred costs and accrued revenues	113,169	326,131	35
Total assets	**72,775,160**	**65,246,831**	
EQUITY AND LIABILITIES			
A. Equity	42,459,459	38,825,210	109
I. Called-up capital	2,279,668	2,279,668	100
II. Capital surplus	9,410,703	9,410,703	100
III. Revenue reserves	13,530,308	13,530,308	100
IV. Reserves from valuation at fair value	16,058	12,755	126
V. Net profit or loss brought forward	13,593,443	11,601,091	117
VI. Net profit or loss for the year	3,629,279	1,990,685	182
B. Provisions and long-term accrued costs and deferred revenues	518,149	529,828	98
C. Non-current liabilities	6,264,638	6,335,780	99
I. Non-current financial liabilities	6,264,638	6,335,780	99
Č. Current liabilities	23,036,902	19,154,144	120
I. Current financial liabilities	7,474,468	6,545,672	114
II. Current operating liabilities	15,562,434	12,608,472	123
D. Short-term accrued costs and deferred revenues	496,012	401,869	123
Total equity and liabilities	**72,775,160**	**65,246,831**	

Non-current assets

The most important part of non-current assets is property, plant and equipment, i.e. buildings worth EUR 16.7 million, land worth EUR 9.2 million and non-current financial assets worth EUR 3.5 million.

Current assets

Current assets represent 48% of total assets. The biggest share of current assets is represented by trade receivables, and the borrowing from suppliers and banks depends on the volume of these receivables. At the end of 2017, current assets came in at EUR 34.8 million while they stood at EUR 26.8 million at the end of 2016 meaning that they rose by 30%. The biggest increase among these was posted by inventories which were worth EUR 8.6 million at the end of 2017, up 42% on the end of 2016.

Liabilities

As at the last day of the period under consideration, net current assets[1] of Dinos d.d. amounted to EUR 17 million, up 37% on the end of 2016 when they stood at EUR 12.4 million.

Net debt at the end of 2017 was EUR 13.3 million, up 4.64 % on 2016 when it stood at EUR 12.7 million.

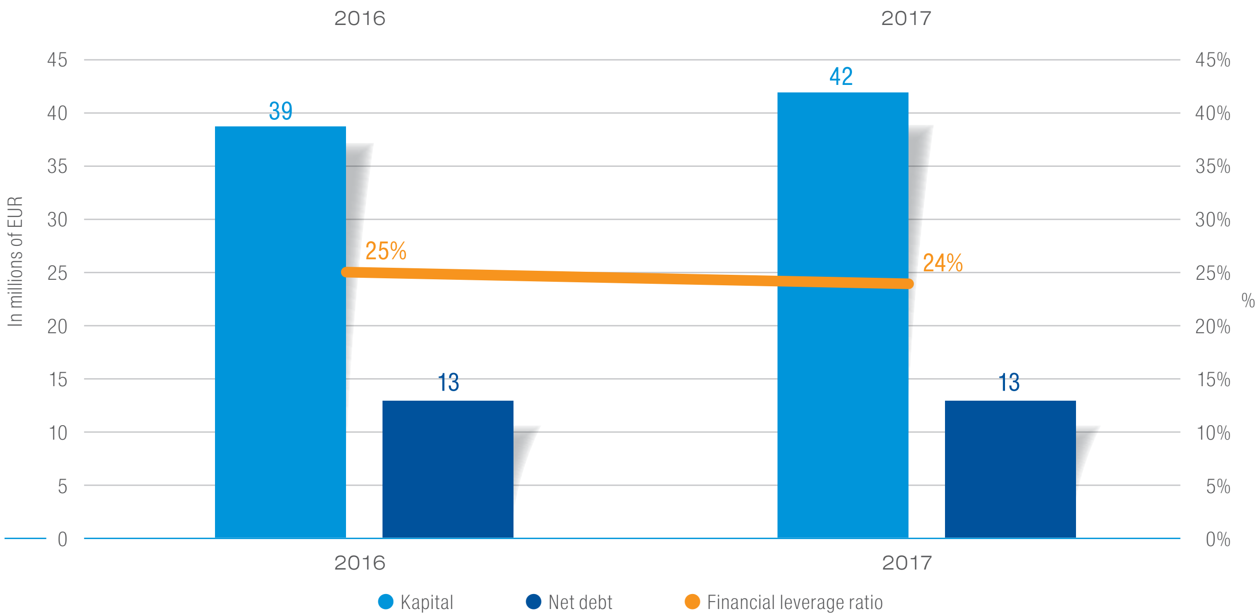
[1]Net current assets = (operating receivables + inventories + cash + long-term deferred costs and accrued revenues – current operating liabilities - long-term accrued costs and deferred revenues)

Equity

The equity of Dinos d.d. as at the last day of 2017 was EUR 42.5 million while it was EUR 38.8 million at the end of 2016. The biggest impact on the 9 % increase in equity was that of the annual operating result. In addition to net profit for the financial year, the changes in equity in 2017 were most affected by the provisions from actuarial recalculations.

		in EUR	2017/2016
	31 Dec 2017	31 Dec 2016	index
Equity	38,825,210	42,459,459	109
[2]Net debt	12,752,188	13,343,330	105
[3]Financial leverage ratio	**25%**	**24%**	**97**

Equity, net debt, financial leverage ratio



[2]Net debt = (non-current and current financial liabilities – cash)

[3]Financial leverage ratio = net debt / (equity + net debt)

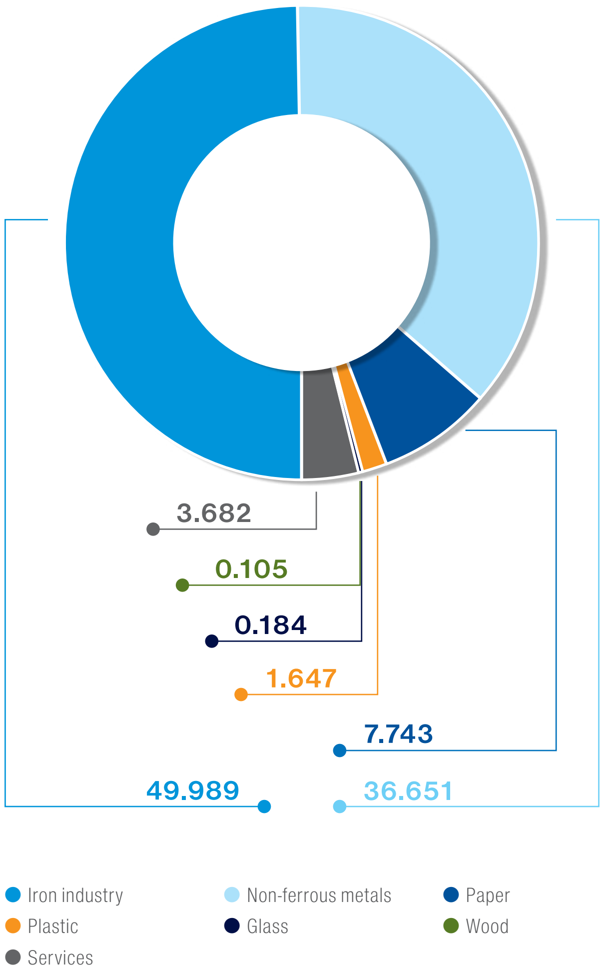
1.12.3. Sales analysis by programme

Overview of revenues generated by programme with respect to the plan and the previous year:

SALES PROGRAMME	2017	in EUR PLAN	ind 17/pl	2016	VALUE ind 16/15
IRON INDUSTRY	68,669,800	44,715,720	1.54	42,000,614	1.63
NON-FERROUS METALS	50,347,699	42,733,826	1.18	33,991,148	1.48
PAPER	10,635,928	12,020,991	0.88	11,027,303	0.96
PLASTIC	2,262,473	3,500,645	0.65	2,945,417	0.77
GLASS	252,682	291,466	0.87	279,337	0.9
WOOD	143,659	84,557	1.7	255,432	0.56
SERVICES	5,058,474	4,560,000	1.11	7,244,813	0.7
TOTAL	**137,370,715**	**107,907,205**	**1.27**	**97,744,064**	**1.41**

The shown 2017 cumulative sales data compared to 2016 and the sales plan indicate that the revenues achieved are 27% higher than planned and 41% higher YOY.

Share in sales revenues by sales programme



Overview of purchasing – realised, planned and previous year:

PURCHASING PROGRAMME	2017	PLAN	ind 17/pl	2016	VALUE ind 17/16
IRON INDUSTRY	55,313,911	33,737,429	1.64	32,273,629	1.71
NON-FERROUS METALS	45,166,953	39,626,840	1.14	31,873,655	1.42
PAPER	5,559,745	4,160,082	1.34	4,387,460	1.27
PLASTIC	938,192	1,925,050	0.49	1,087,227	0.86
GLASS	6,043	0	0	4,306	1.4
WOOD	60,379	0	0	80,010	0.75
TEXTILES	7,137	0	0	5,890	1.21
OTHER	24,931	0	0	24,116	1.03
TOTAL	**107,077,291**	**79,449,401**	**1.35**	**69,736,293**	**1.54**

Purchasing prices are up 35% compared to the plan and 54% compared tom 2016, which is due to the fluctuation in purchasing prices and higher quantities purchased.

The company has developed quite a few hedging mechanisms that help us react rapidly to quick and sudden changes to market prices. In doing so, we use the information from the Scholz Group which is one of the leading companies in the world in the waste raw material collection and processing industry.

We are in constant contact and receive on-time information about trends in the global economy, to which we can react accordingly. Synergies with the owner with an extensive global network are definitely a great competitive advantage for us.

We try to operate with minimal inventories, without any speculation about future price movements. Therefore, we buy and sell at prices that are known in advance thereby minimising price risk.

Greater price swings in 2017 occurred from February to April and in October. The pronounced price volatility is a reflection of their being subject to speculation.

We regularly monitor the BDSV index for various steel waste materials, which is published and represents the average of the sales prices of waste EXW to the supplier's warehouse for the entire territory of Germany and approximates the market price changes around Europe.

Changes in E1 prices 2012–2017

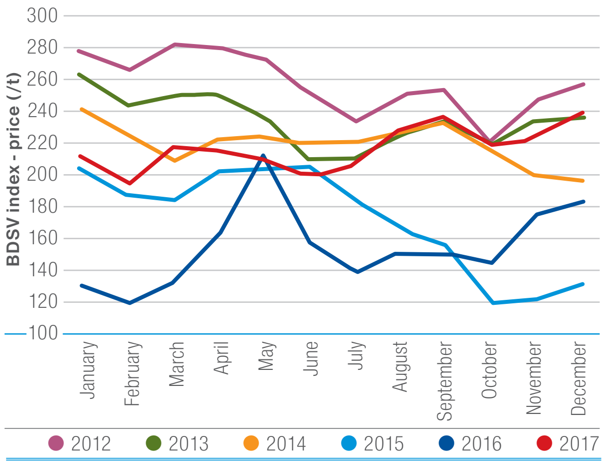


Figure 1. Changes in E1 prices

Changes in E2/E8 prices 2012–2017

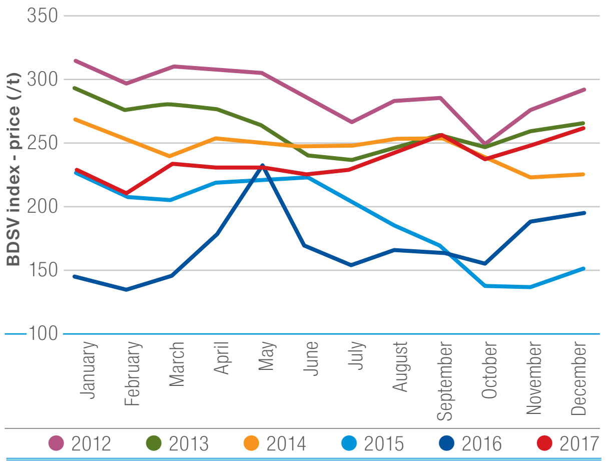


Figure 2. Changes in E2/E8 prices

Changes in E3 prices 2012–2017

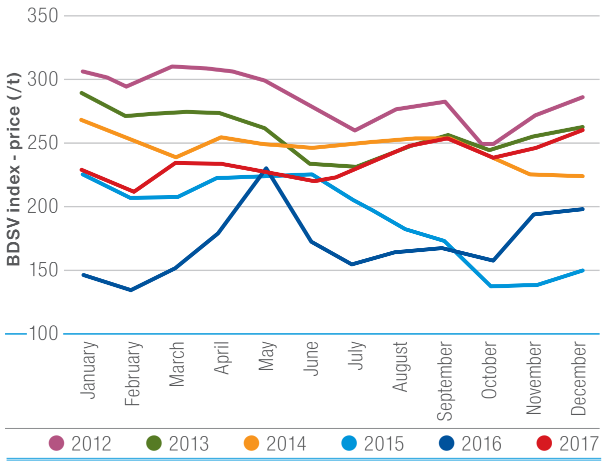


Figure 3. Changes in E3 prices

Changes in E40 prices 2012–2017

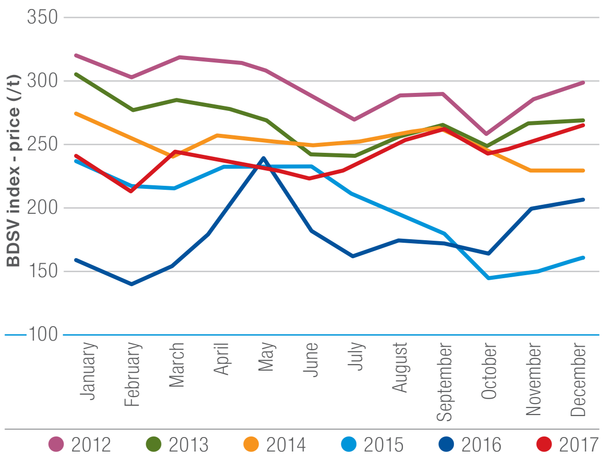


Figure 4. Changes in E40 prices

Changes in E5H prices 2012–2017

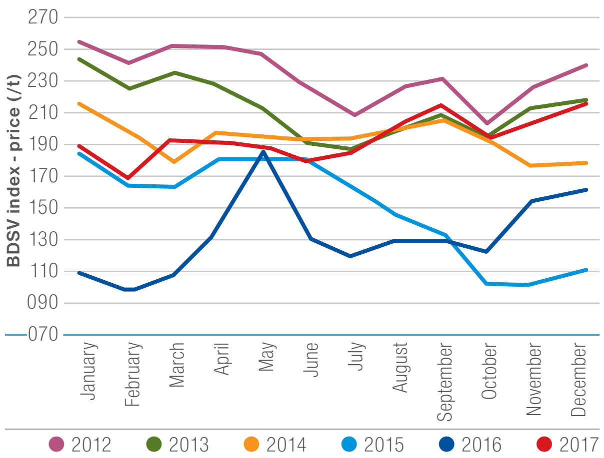


Figure 5. Changes in E5H prices

1.13. Significant business events after the end of the 2017 financial year

We started 2018 in accordance with the plans in terms of quantitative and value realisation, and we even exceeded these plans. The favourable level of prices on the iron and non-ferrous metals markets continued in Q1 with few minor adjustments. Economic growth and growth in orders received by our biggest partners was reflected in the increased volume of business of our company. In March, we recorded the biggest monthly realisation in terms of quantities in the history of our company. The picture is quite the opposite on the non-metal side, mainly plastic, where China introduced limits on imports which resulted in the drop in prices and made sales to processing businesses more difficult. Plastic has thus become a problem not only for Slovenia, but also for the whole of Europe.

In March 2017, we secured a new long-term source of financing. We used it to finally repay the financial liabilities from a lease and to finance planned investments.

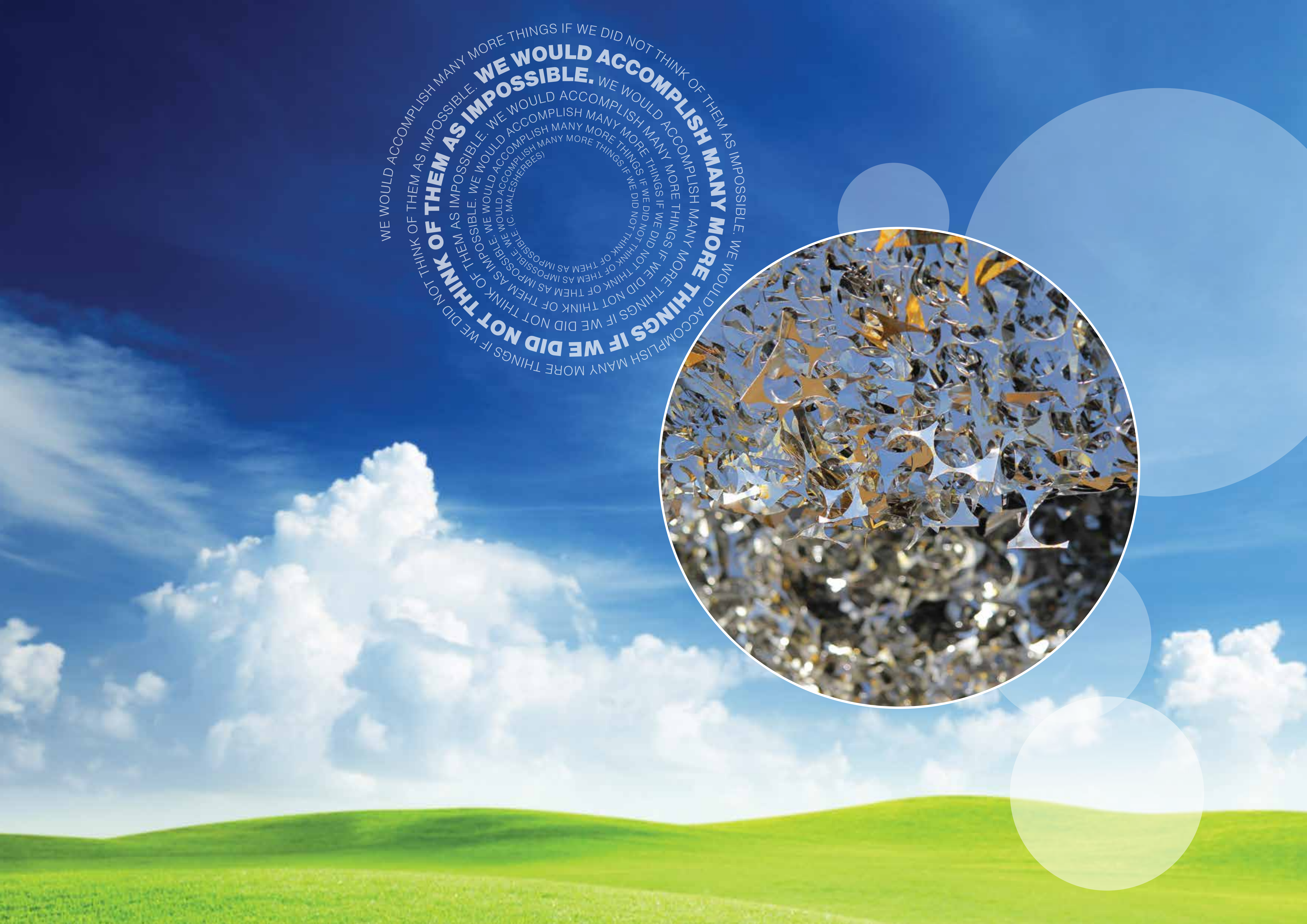
In 2017 and Q1 of 2018, we paid down our liabilities to other lenders.

There were no events after the reporting date that would materially affect the disclosed financial statements for 2017.

1.14. Plans for 2018

In 2018, we continue to introduce mobile solutions into the robust environment of the integrated IT system as well as the optimisation of the paper document flow into the e-document flow.

New waste types represent new challenges in terms of efficient processing that makes them suitable for further recycling, which is why we will devote a lot of attention to the search for new best practices within the scope of the Scholz Group/CEG. We will continue to implement the policy of investing in the updating of machinery and implementation of new technological solutions in all waste raw material collection and processing processes.


WE WOULD ACCOMPLISH MANY MORE THINGS IF WE DID NOT THINK OF THEM AS IMPOSSIBLE.
(C. MALESHERBES)

IT IS NOT WHO IS RIGHT, BUT WHAT IS RIGHT, THAT IS OF IMPORTANCE. (THOMAS HUXLEY)

2. Financial report

Dinos d.d. is a registered legal entity in Slovenia. Its registered address is at Šlandrova ulica 6, 1000 Ljubljana. The financial statements have been prepared for the year ended 31 December 2017. The values are presented in EUR.

Dinos d.d. is one of the companies in the Scholz Group that is controlled by the global Chiho Environmental Group Ltd. (CEG) headquartered in Hong Kong.

The financial statements of Dinos d.d. are also included in the consolidated financial statements of the Scholz Group, which are available at the headquarters of Scholz Recycling GmbH and the website

https://www.unternehmensregister.de/ureg/?submitaction=language&language=en

The consolidated financial statements have been prepared on the basis of the German GAAP.

Dinos d.d. does not prepare consolidated financial statements for 2017 for the narrower circle of group companies because their effect on the statements is minor.

2.1. Profit and loss account for the year ended 31 December 2017

Profit and loss account for the year ended 31 December 2017			in EUR
	Note	2017	2016
1. Net sales revenue			
a) Sales revenue - related parties		600	0
b) Revenue from the sales to foreign companies of the Group		7,849,877	1,827,444
c) Revenue from sales on the domestic market		60,199,823	50,651,531
d) Revenue from sales on foreign markets		69,320,414	45,265,089
Total net sales revenue	**2.6.4.**	**137,370,715**	97,744,064
2. Capitalised own products and own services		293	0
3. Other operating revenues and operating revenues from revaluation	**2.6.5.**	372,825	159,694
Total operating revenue		**137,743,832**	97,903,758
4. Costs of goods, material, and services			
a) Cost of goods and materials sold		-104,469,842	-67,173,523
b) Costs of materials		-2,969,369	-2,497,286
c) Costs of services		-13,033,375	-13,546,223
Total costs of goods, material, and services	**2.6.6.**	**-120,472,586**	-83,217,032
5. Labour cost			
a) Cost of wages and salaries		-5,923,790	-5,307,845
b) Cost of social insurance		-444,909	-393,960
c) Pension insurance costs		-524,255	-469,744
d) Other labour costs		-1,118,845	-1,196,373
Total labour cost	**2.6.7.**	**-8,011,799**	-7,367,922

Profit and loss account for the year ended 31 December 2017	Note	2017	in EUR 2016
6. Write-downs			
a) Depreciation and amortisation		-2,527,740	-2,727,376
b) Operating expenses from revaluation of fixed assets		-19,211	-95,321
c) Operating expenses from revaluation of current assets		-77,894	-108,842
Total write-downs	**2.6.8.**	**-2,624,845**	-2,931,539
7. Other operating expenses	**2.6.9.**	-1,971,446	-1,454,266
Total costs		**-133,080,675**	-94,970,759
Operating profit		**4,663,157**	2,932,999
8. Finance income from participations			
a) Finance income from other shares and interests		117,453	0
b) Finance income from other investments - interest		0	35,858
Total finance income from shares and interests	**2.6.11.**	**117,453**	35,858
9. Finance income from loans granted			
a) Finance income from loans to Group companies		34,414	32,358
Total finance income from loans		**34,414**	32,358
10. Finance income from operating receivables			
a) Finance income from operating receivables due from Group companies		177,900	0
b) Finance income from operating receivables due from others		64,471	59,407
Total finance income from operating revenue		**242,371**	59,407
Total finance income		**394,238**	127,623
11. Finance expenses from impairments and write-offs of financial assets			
a) Finance expenses due to impairment and write-off of investments in Group companies		0	0
b) Finance expenses from impairment and write-off of other investments		0	-275,234
Total finance expenses from impairment and write-off of financial assets		**0**	-275,234

Profit and loss account for the year ended 31 December 2017	Note	2017	in EUR 2016
12. Finance expenses from financial liabilities			
a) Finance expenses for bank borrowings		-240,179	-374,683
c) Finance expenses from issued bonds		0	0
b) Finance expenses for other financial liabilities		-59,490	-82,852
Total finance expenses from financial liabilities		**-299,668**	-457,535
13. Finance expenses from operating liabilities			
a) Finance expenses from operating liabilities to Group companies		-489,388	-101,793
b) Financial expense from other operating liabilities		-55,448	-27,984
Total finance expenses from operating liabilities		**-544,837**	-129,777
Total finance expenses	**2.6.12.**	**-844,505**	-862,546
Profit from ordinary activity		**4,212,890**	2,198,076
14. Other revenue		161,478	232,158
15. Other expenses		**-43,204**	-124,060
Total profit or loss		**4,331,164**	2,306,174
16. Corporate income tax	**2.6.13.**	-700,776	-359,799
17. Deferred taxes		-1,110	44,310
18. Net profit or loss for the period		**3,629,279**	**1,990,685**

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.2. Statement of other comprehensive income for the year ended 31 December 2017

Statement of other comprehensive income for the year ended 31 December 2017			in EUR
	Note	2017	2016
17. Net profit or loss for the period		3,629,279	1,990,685
18. Other elements of comprehensive income		3,305	-2,320
19. Total comprehensive income for the period		**3,632,584**	**1,988,365**

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.3. Balance Sheet as at 31 December 2017

Balance Sheet as at 31 December 2017			in EUR
ASSETS	Note	31 Dec 2017	31 Dec 2016
A. Non-current assets			
I. Intangible assets and long-term deferred costs and accrued revenue			
1. Long-term property rights		131,196	158,003
2. Other intangible assets		6,078	8,124
Total intangible assets	**2.6.15.**	**137,274**	**166,127**
II. Property, plant, and equipment			
1. Land		9,167,937	9,169,296
2. Buildings		16,724,109	17,663,243
3. Production plants and machinery		7,614,375	7,304,647
4. Other plant, and equipment		187,654	140,062
5. Property, plant, and equipment under construction or development		143,387	74,500
6. Advances for property, plant, and equipment		256,432	0
Total tangible fixed assets	**2.6.16.**	**34,093,893**	**34,351,748**
III. Investment property		**0**	**0**
IV. Non-current financial assets			
1. Non-current financial assets, excluding loans			
a. Shares and stakes in Group companies		15,000	7,500
b. Other non-current financial assets		3,500,063	3,500,063
Total non-current financial assets, excluding loans		**3,515,063**	**3,507,563**
Total non-current financial assets	**2.6.17.**	**3,515,063**	**3,507,563**
V. Non-current operating receivables			
1. Non-current operating receivables due from others		0	0
Total non-current operating receivables	**2.6.20.**	**0**	**0**
VI. Deferred tax assets	**2.6.14.**	**101,519**	**102,628**
Total non-current assets		**37,847,749**	**38,128,067**

Balance Sheet as at 31 December 2017			in EUR
ASSETS	Note	31 Dec 2017	31 Dec 2016
B. Current assets			
I. Inventories			
1. Material		8,353,751	5,728,514
2. Products and merchandise		4,267	17,932
3. Advances for inventories		215,999	280,260
Total inventories	**2.6.19.**	**8,574,017**	**6,026,706**
II. Current financial assets			
1. Short-term loans			
a. Short-term loans to Group companies		1,943,223	1,665,223
Total short-term loans		1,943,223	1,665,223
Total current financial assets	**2.6.18.**	**1,943,223**	**1,665,223**
III. Current operating receivables			
1. Current operating receivables due from Group companies		362,295	285,070
2. Current operating receivables due from customers		22,204,938	17,841,891
3. Current operating receivables due from others		1,333,992	844,481
Total current operating receivables	**2.6.20.**	**23,901,226**	**18,971,441**
IV. Cash	**2.6.21.**	395,776	129,264
Total current assets		**34,814,241**	**26,792,634**
C. Short-term deferred costs and accrued revenues	**2.6.22.**	**113,169**	**326,131**
Total assets		**72,775,160**	**65,246,831**

Balance Sheet as at 31 December 2017			in EUR
EQUITY AND LIABILITIES	**Note**	**31 Dec 2017**	**31 Dec 2016**
A. Equity			
I. Called-up capital		**2,279,668**	**2,279,668**
II. Capital surplus		**9,410,703**	**9,410,703**
III. Revenue reserves		**13,530,308**	**13,530,308**
1. Legal reserves		966,100	966,100
2. Other reserves		12,564,208	12,564,208
Total revenue reserves		**13,530,308**	**13,530,308**
IV. Reserves from valuation at fair value		**16,058**	**12,755**
V. Net profit or loss brought forward		**13,593,443**	**11,601,091**
VI. Net profit or loss for the year		**3,629,279**	**1,990,685**
Total equity	**2.6.23.**	**42,459,459**	**38,825,210**
B. Provisions and long-term accrued costs and deferred revenues			
I. Provisions for pensions and similar obligations		518,149	529,828
Total provisions and accrued costs and deferred revenues	**2.6.24.**	518,149	529,828
C. Non-current liabilities			
I. Non-current financial liabilities			
1. Non-current financial liabilities to banks		5,700,000	5,050,172
2. Other non-current financial liabilities		564,638	1,285,609
Total non-current financial liabilities	**2.6.25.**	**6,264,638**	**6,335,780**
Total non-current liabilities		**6,264,638**	**6,335,780**

Balance Sheet as at 31 December 2017			in EUR
EQUITY AND LIABILITIES	Note	31 Dec 2017	31 Dec 2016
D. Current liabilities			
I. Liabilities included in disposal groups			
II. Current financial liabilities			
1. Current financial liabilities to banks		6,050,002	5,946,298
2. Other current financial liabilities		1,424,466	599,374
Total current financial liabilities	**2.6.25.**	**7,474,468**	**6,545,672**
III. Current operating liabilities			
1. Current operating liabilities to Group companies		248,354	177,089
2. Current operating liabilities to suppliers		13,967,972	11,424,903
3. Current operating liabilities from advances		193,669	75,778
4. Current liabilities to the state		629,944	533,852
5. Other current operating liabilities		522,496	396,849
Total current operating liabilities	**2.6.26.**	**15,562,434**	**12,608,472**
Total current liabilities		**23,036,902**	**19,154,144**
D. Short-term accrued costs and deferred revenues	**2.6.27.**	**496,012**	**401,869**
Total equity and liabilities		**72,775,160**	**65,246,831**

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.


THERE IS NO GOOD IN ANYTHING UNTIL IT IS FINISHED.
THERE IS NO GOOD IN ANYTHING UNTIL IT IS FINISHED. (GENGHIS KHAN)

2.4. Cash flow statement for the year ended 31 December 2017

Cash flow statement for the year ended 31 December 2017	2017	in EUR 2016
A. Cash flows from operating activities		
a) Net profit		
Profit or loss before tax	4,331,164	2,306,174
Corporate income tax and any other taxes not included in operating expenses	701,886	-359,799
b) Adjustments for		
Amortisation/Depreciation	2,527,740	2,727,376
Operating revenue from revaluation	-167,068	-30,182
Operating expenses from revaluation	109,344	479,396
Finance income excluding finance income from operating receivables	-151,867	-68,215
Finance expenses excluding finance expenses from operating liabilities	299,668	559,328
Total cash flow derived from the profit and loss account items	**7,650,867**	**5,614,077**
c) Changes in net current assets - operating balance sheet items		
Opening less closing operating receivables	-5,279,758	-2,369,815
Opening less closing deferred costs and accrued revenues	212,962	-275,155
Opening less closing deferred tax assets	1,109	-44,310
Opening less closing assets (disposal groups) held for sale	0	0
Opening less closing inventories	-2,547,311	-2,514,952
Closing less opening operating liabilities	2,164,905	3,859,735
Closing less opening accrued costs and deferred revenues, and provisions	82,464	298,872
Closing less opening deferred tax liabilities		
Total items of other operating assets and liabilities	**-5,365,629**	**-1,045,624**
c) Net cash from (used in) operating activities	**2,285,238**	**4,568,453**

Cash flow statement for the year ended 31 December 2017	2017	in EUR 2016
B. Cash flows from investing activities		
a) Cash receipts from investing activities		
Cash receipts from interest and profit participations (investment activities)	340,464	68,215
Cash receipts from disposal of intangible assets	0	0
Cash receipts from disposal of property, plant, and equipment	0	0
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of non-current financial assets	0	138,874
Cash receipts from disposal of current financial assets	0	0
Total cash receipts from investing activities	**340,464**	**207,089**
b) Disbursements from investing activities		
Cash disbursements for the acquisition of intangible assets	-13,775	-49,357
Cash disbursements for the acquisition of property, plant, and equipment	-2,174,857	-344,651
Cash disbursements for the acquisition of investment property	0	0
Cash disbursements for the acquisition of non-current financial asset	-7,500	0
Cash disbursements for the acquisition of current financial assets	-278,000	-24,000
Total cash disbursements from investing activities	**-2,474,132**	**-418,008**
c) Net cash from (used in) investing activities	**-2,133,668**	**-210,919**

Cash flow statement for the year ended 31 December 2017	2017	in EUR 2016
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash receipts from paid-up capital and interest	0	0
Cash receipts from the increase in financial liabilities	12,293,263	1,672,000
Total cash receipts from financing activities	**12,293,263**	**1,672,000**
b) Disbursements from financing activities		
Cash disbursements from paid interest pertaining to financing	-789,057	-559,328
Cash repayments of equity	0	0
Expenditures for repayment of financial liabilities	-11,389,265	-5,654,504
Cash disbursements for the distribution of dividends and other profit participations	0	0
Total cash disbursements from financing activities	**-12,178,322**	**-6,213,832**
c) Net cash from (used in) financing activities	**114,941**	**-4,541,832**
D. Cash and cash equivalents at end of period		
a) Net cash for the period	266,512	-184,298
b) Opening balance of cash	129,264	313,561
c) Total closing balance of cash	**395,776**	**129,264**

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.5. Statement of changes in equity for the year ended 31 December 2017

		Called-up capital			Revenue reserves					in EUR
		Share capital	Uncalled capital	Capital surplu	Legal reserves	Other revenue reserves	Reserves from valuation at fair value	Net operating profit or loss brought forward	Net profit or loss for the year	Total
A.1. Opening balance – 31 Dec 2016	**A. Opening balances**	**2,279,668**		**9,410,703**	**966,100**	**12,564,208**	**12,755**	**11,601,091**	**1,990,685**	**38,825,210**
B.2. Total comprehensive income for the reporting period										
a) Entry of net profit/loss for the reporting period								0	3,629,279	**3,629,279**
b) Changes in the surplus from revaluation of intangible assets									0	**0**
c) Changes in the surplus from revaluation of property, plant and equipment										**0**
d) Change of the surplus from revaluation of financial assets										**0**
e) Other items of total comprehensive income in the reporting period							3,303	1,667		**4,970**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**3,303**	**1,667**	**3,629,279**	**3,634,249**
B.3. Changes within equity										
a) Razporeditev dela čistega dobička primerjalnega poročevalskega obdobja na druge sestavine kapitala								1,990,685	-1,990,685	**0**
Total changes in equity		**0**	**0**	**0**	**0**	**0**	**0**	**1,990,685**	**-1,990,685**	**0**
C. Closing balance – 31 Dec 2017		**2,279,668**	**0**	**9,410,703**	**966,100**	**12.564,208**	**16,058**	**13,593,443**	**3,629,279**	**42,459,459**
D. Distributable profit for 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13,593,443**	**3,629,279**	**17,222,721**

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

		Called-up capital		Revenue reserves						in EUR
		Share capital	Uncalled capital	Capital surplu	Legal reserves	Other revenue reserves	Reserves from valuation at fair value	Net operating profit or loss brought forward	Net profit or loss for the year	Total
A.1. Opening balance - 31 Dec 2015	**A. Opening balances**	**2,279,668**		**9,330,261**	**966,100**	**12,564,208**	**15,075**	**11,076,898**	**524,193**	**36,756,403**
A.2. Opening balance of the reporting period		**2,279,668**	**0**	**9,330,261**	**966,100**	**12,564,208**	**15,075**	**11,076,898**	**524,193**	**36,756,403**
B.1. Changes in equity – transactions with owners										
f) Other changes in equity (merger)				80,442						**80,442**
Total changes in equity		**0**	**0**	**80,442**	**0**	**0**	**0**	**0**	**0**	**80,442**
B.2. Total comprehensive income for the reporting period										
a) Entry of net profit/loss for the reporting period								0	1,990,685	**1,990,685**
b) Other components of total comprehensive income for the reporting period							-2,320			**-2,320**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**-2,320**	**0**	**1,990,685**	**1,988,365**
B.3. Changes within equity										
a) Allocation of remaining net profit of the comparative reporting period to other equity components								524,193	-524,193	**0**
Total changes in equity		**0**	**0**	**0**	**0**	**0**	**0**	**524,193**	**-524,193**	**0**
C. Closing balance – 31 Dec 2016		**2,279,668**	**0**	**9,410,703**	**966,100**	**12,564,208**	**12,755**	**11,601,091**	**1,990,685**	**38,825,210**
D. Distributable profit for 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**11,601,091**	**1,990,685**	**13,591,776**

2.6. Notes to financial statements

2.6.1. Company profile

COMPANY NAME	Dinos, družba za pripravo sekundarnih surovin d.d.
REGISTERED OFFICE AND COMPANY ADDRESS	Šlandrova ulica 6, 1231 Ljubljana – Črnuče
ACTIVITY CODE	38.320 – Recovery of secondary raw materials from residues and wastes
COMPANY REGISTRATION NUMBER	5003318000
TAX NUMBER	SI 44905793
LEGAL STATUS OF THE COMPANY	Public limited company Plc.
FINANCIAL YEAR	2017
STATUS OF THE ENTITY	Registered/Registration number: 061/10072600
DATE OF ENTRY IN THE COMPANIES REGISTER:	3 January 1990
SHARES	54,629 shares
SHARE CAPITAL	EUR 2,279,668
MANAGEMENT BOARD	President of the Management Board **Zorko Damijan** Member of the Management Board **Bambič Benjamin** Member of the Management Board **Breidenbach Marc**

The consolidated financial statements for the broader circle of group companies are available at the headquarters of the company Scholz Recycling GmbH: https://www.unternehmensregister.de/ureg/?submitaction=language&language=en.

2.6.2. Basis for compiling the financial statements

The financial statements were compiled in line with the Slovenian Accounting Standards and the Companies Act (ZGD-1). The financial statements have been prepared by taking into account the fundamental accounting assumptions of going concern and accrual basis. The qualitative characteristics of the financial statements are based on comprehensibility, relevance, reliability, and comparability.

Slovenian Account Standards 2016 are applied for financial years starting on 1 January 2016 or later. The company applied Slovenian Account Standards 2006 for previous financial years.

In accordance with the Companies Act (ZGD-1), the company size places it among the large companies.

The financial statements were approved by the Management Board of the company on 23 April 2018.

The application of estimates and assessments

The financial statements are also based on certain estimates and assumptions of the management, which influence both the carrying amount of assets and liabilities as well as the disclosure of revenues and expenses for the accounting period. The management's estimate includes, among other, determining the life and residual value of property, plant, and equipment and intangible fixed assets, value adjustments of inventories and receivables, deferred taxes, assumptions relevant for actuarial calculations related to certain employee benefits, assumptions included in the calculation of potential provisions for claims. Notwithstanding the fact that during the preparation of assumptions, the management carefully considers all the factors that may affect this, it is possible that the actual consequences of business transactions differ from those estimates. Therefore, the accounting estimates have to be made by assessing and taking into account any changes in the business environment, new business events, additional information and experience.

Conversion into foreign currencies

The assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate applicable on the date of the respective transaction. Exchange rate differences arising from such transactions, and the revaluation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date into the functional currency, are recognised in the profit or loss.

Cash items denominated in foreign currencies are converted at the reference rates of the European Central Bank or the Bank of Slovenia exchange rate (for the currencies for which the ECB does not publish reference rates) on the last day of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates on the transaction date, monetary items that are measured at fair value in a foreign currency are converted using the exchange rate on the date when the fair value was determined.

2.6.3. Summary of significant accounting policies

Intangible assets and long-term deferred costs and accrued revenue

Intangible assets comprise long-term deferred development costs, investments in the acquired industrial property and other rights. Long-term prepayments and accrued income are long-term deferred costs.

Intangible assets are recognised when it is probable that the economic benefits associated with them and their cost will flow to the company. On initial recognition, these assets are carried at cost.

Intangible assets with finite useful lives are depreciated over their useful life. The straight-line depreciation method is applied. Amortisation rates applied to intangible assets are the following and are the same as the year before:

Licences and patents	5 % - 10 %
Material rights	5 % - 10 %

Subsequent expenses related to an item of property, plant, and equipment increase its cost increase the future benefits of this item in excess of the originally assessed.

Intangible assets are derecognised upon disposal. In the bookkeeping records, their cost and depreciation charge are disclosed separately. The balance sheet only states the carrying amount.

Property, plant, and equipment

Property, plant, and equipment (tangible fixed assets) comprise land, buildings, plant and other equipment.

An item of property, plant and equipment is recognised if it is probable that the future economic benefits that can be attributed to the asset will flow to the company and its cost can be reliably measured. On initial recognition, these assets are carried at cost. Subsequent expenses related to items of property, plant, and equipment increase their cost if they increase its future economic benefits in excess of the originally assessed. Repairs or maintenance of property, plant, and equipment are intended for renovation or preservation of future economic benefit, expected on the basis of initially assessed efficiency level of these assets. As such, they are recognised as a cost or operating expense.

Items of property, plant, and equipment are depreciated individually over their useful life. The following depreciation rates were applied, identical to those used the year before:

Buildings	1.5 % - 10 %
Computer equipment	20 % - 50 %
Transport equipment	10 % - 33.30%
Production plant and equipment	10 % - 33.30%

Items of property, plant, and equipment are derecognised upon disposal when no future benefits are expected from their use. In the bookkeeping records, their cost and depreciation charge are disclosed separately. The balance sheet only states the carrying amount.

Financial assets

Financial assets are investments are investments in the equity of other companies or in financial debts of other companies, countries, regions and municipalities or other issuers (investments in loans).

Financial investments are broken down into the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, financial assets in loans, and available-for-sale financial assets. The classification depends on the purpose of acquisition.

After acquisition, all assets, except for those classified at fair value through profit or loss, are recognised at cost including the costs of acquisition that are directly attributable to the acquisition. Investments classified at fair value through profit or loss are recognised at fair value, whereby the direct costs of acquisition are not included in the cost.

Other non-current financial assets are not revalued due to strengthening.

Non-current financial assets are revalued due to the impairment if the investment loses value and the measured repaid value is less than the carrying value. The difference represents a revaluation financial expense associated with non-current financial asset.

Financial assets at fair value through profit or loss

Financial assets (investments) classified at fair value through profit or loss are measured at fair value. Gains and losses on investments designated at fair value through profit or loss are recognised directly in the profit or loss account.

The fair value of investments actively traded on regulated markets is determined at the quoted closing price on the stock exchange on the balance sheet date. The fair value of investments whose market price is not quoted on financial markets is determined on the basis of a similar instrument or as net present value of future cash flows that the company can expect from a certain financial investment.

Acquisition and sale of investments classified at fair value through profit or loss are recognised on the trading day i.e. on the day of commitment to buy or to sell a financial asset.

Held-to-maturity financial assets

Financial assets with fixed or determinable payments and maturity, other than derivative financial instruments, are recognised as held-to-maturity financial assets, provided there is a positive intention and the ability to hold the investment to maturity. Investments held for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount/premium amortisation).

Investments classified as held to maturity are recognised on the settlement date.

Investments in loans

Investments in loans are financial investments with defined or definable payments that are not traded on a regulated market. This category includes loans acquired by the company and loans originating from the company. Loans are measured at amortised cost using the effective interest rate method. Investments in loans are recognised on the settlement date.

Available-for-sale financial assets

Following initial recognition, all financial assets included classified as available-for-sale financial assets are measured at fair value. Gains and losses on available-for-sale assets are recognised in equity in the revaluation surplus as net unrealised capital gains on available-for-sale financial assets until the investments are sold or otherwise disposed of. If the investment is impaired, the impairment is recognised in the profit or loss.

Acquisition and sale of financial assets classified as available-for-sale financial assets are recognised on the trading date, i.e. on the day of commitment to buy or to sell an individual financial asset.

Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are initially measured at cost. If the investment is impaired, the impairment is recognised in the profit or loss account.

Impairment of financial assets

Revaluation of financial assets due to impairment is carried out as soon as grounded reasons are provided and no later than at the end of the accounting period. The basis for impairment is objective evidence arising from events after initial recognition, such as data on operations and data on audited carrying amount of the investment. Objective reasons for testing financial assets for impairment are deemed to exist if the fair value of a financial asset as at the balance sheet date is 20 percent less than its cost. An impairment test of the investment is carried out separately for each investment or group of investments.

The loss resulting from the permanent impairment of a financial asset and not just a short-term decline in fair value is recognised as a finance expense. The amount of the impairment loss is measured as the difference between the carrying amount and the present value of the expected future cash flows.

Changes in fair value of financial assets available for sale are recognised directly in equity as a revaluation surplus.

Inventories

Inventories consist of stocks of materials, products and merchandise as well as advances for inventories.

Inventories are valued at cost and are valued during the year by using the method of floating average prices.

The cost of inventories may not be fully recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined below the price level.

The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

If their carrying amount exceeds their net realisable value, the former has to be decreased to the net realisable value. Inventories shall be decreased item by item; however, it may be appropriate to group similar or related items for this purpose.

A decrease in inventories is charged against operating expenses.

Operating receivables

Operating receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be repaid. Subsequent increases or reductions in receivables increase or decrease operating revenues or expenses or finance income or expenses, respectively. Any subsequent increase or decrease in receivables is represented predominantly by the changes in the amount of receivables due to subsequent discounts, return of goods sold, acknowledged complaints, and subsequently discovered defects.

The receivables are initially measured at amortised cost. The amortised cost of a claim is the amount at which the receivables are measured on initial recognition, minus repayments and impairments due to the uncollectibility. Operating receivables falling due in the next twelve months are disclosed in the balance sheet under current operating receivables and those over twelve months are recognised under non-current operating receivables.

If operating receivables are impaired, the revaluation adjustments of receivables as a revaluation cost are established for the difference between the carrying amount and the realisable value.

The company creates a value adjustment according to the system of the individual assessment of the collectability of an individual receivable.

Cash

Cash comprises cash in hand, deposit money and cash equivalents. Cash equivalents are short-term deposits and call deposits with banks with maturity of up to three-months.

Short-term deferred costs and accrued revenues

Short-term deferred items include short-term deferred expenses (costs) and accrued revenues. They are disclosed in amounts that are recorded in the relevant documents proving their origin and existence.

Equity

Total equity consists of called-up capital, capital surplus, revenue reserves, retained earnings or retained net loss, revaluation surplus and temporarily undistributed net profit or unsettled net loss for the business year.

Own shares or interests acquired are deducted from equity. The differences arising on the purchase, sale, issue or withdrawal are set off with capital.

The revaluation surplus relates to an increase in the carrying amount of property, plant, and equipment, intangible assets, non-current financial assets and current financial assets using the revaluation model and is stated separately depending on occurrence as well as for unrealised actuarial losses/gains from provisions for the severance pay of employees.

Provisions and long-term accrued costs and deferred revenues

Provisions are set aside for current liabilities arising from binding past events and which will presumably be settled in a period that not definitely set and the amount of which can be reliably measured. Amounts recognised as provisions represent the best estimate of the disbursements needed to settle the existing obligations as at the balance sheet date.

Long-term accrued costs and deferred revenues include deferred revenues that will cover estimated expenses in a period longer than one year, as well as accrued costs or expenses that will in the future enable the coverage of costs or expenses that are incurred at that time.

The amounts of provisions and long-term accrued costs or expenses are directly decreased by the amounts of costs or expenses for which they were set aside.

According to Slovenian legislation, employees are paid jubilee benefits and severance upon retirement. After the completion of the period of service, employees are before retirement entitled to once-off severance pay. They are also entitled to jubilee benefits for every full 10 years of service with the employer.

Financial liabilities

Financial liabilities comprise loans received on the basis of loan contracts and debt securities issued. Loans received comprise deposits repayable and liabilities to lessors arising from a finance lease.

Financial liabilities are divided into non-current, which have to be settled or repaid in a period over one year, and current.

They are initially recognised at the amounts arising from the relevant documents that evidence the receipt of cash or the settlement of another liability and then measured at their amortised cost using the effective interest method.

Operating liabilities

Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, liabilities to providers of funds arising from accrued interest and similar items, liabilities to the state arising from taxes, including the value added tax payable, and liabilities associated with the distribution of profit or loss. A special type of operating liabilities is liabilities to suppliers for advances and securities received.

Operating liabilities are divided into non-current liabilities, which have to be settled in a period of over one year, and current, which are due (but not yet settled) and those due to be settled within one year.

They are initially recognised at the amounts arising from the relevant documents that evidence the receipt of products or services or the work performed or the calculated cost, expense or interest in the profit or loss.

Short-term accrued costs and deferred revenues

Short-term accrued expenses and deferred revenues include short-term accrued expenses (costs) and short-term deferred revenues. They are disclosed in amounts that are recorded in the relevant documents proving their origin and existence.

Among the short-term accrued costs are accrued, unpaid holiday leave, which is accounted for based on unused vacation days and the average gross salary of the employee, unpaid excess hours on the last day of the period.

Revenues

Revenues are recognised when it is probable that economic benefits will flow and their amount can be reliably measured. They consist of operating revenues, finance income and other revenues.

Sales revenues are recognised when all the significant risks and rewards arising from ownership are transferred to the buyer; the amount of revenue can be reliably estimated; it is probable that economic benefits associated with the transaction will flow to the company. The costs incurred in respect of the transaction can be measured reliably.

Rental income is recognised evenly over the term of each rental agreement.

Operating revenues from revaluation arising from the disposal of property, plant, and equipment, non-current intangible assets and investment property are included among other operating revenue as the surplus of their selling value over the book value and revaluation revenues in relation to impaired receivables when they are paid, and write-downs of operating debts. Other operating revenue also includes revenue from the derecognition of provisions.

Finance income arises from non-current and current financial assets and receivables and is recognised upon being charged irrespective of the receipts provided there is no reasonable doubt as to its amount, its maturity or repayment.

Interest is accrued on a time proportion basis taking account the principal outstanding and the rate applicable. Dividend income is recognised when the company becomes entitled to payment.

Other revenues include unusual items and other income, disclosed in actual amounts.

Cost of material and services

The costs of material and services are expressed as the cost of direct materials and services and of the portion of material and services associated with production overheads, purchasing and selling overheads, and administrative overheads. They are classified by primary type.

The cost of material and services not held in inventories before use is usually disclosed at actual amounts at the moment of purchase of the material and services. Material costs are posted directly under costs.

Labour costs and employee reimbursements

Labour costs and reimbursements to employees represent all forms of consideration given by the company in exchange for service rendered by employees and are recognised as labour costs or as shares in expanded profit before stating the profit in the income statement. Earnings may also be associated with specific taxes that increase the costs incurred or the profit-sharing volume of employees in the expanded profit.

At the balance sheet cut-off date, the costs of unused annual leave are considered. The expected cost of accumulating compensated absences is measured as the additional amount that is expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Labour costs are accounted for in accordance with the law, the collective agreement, the internal act of the company, and employment contracts.

Corporate income tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the company expects to be paid to or recovered from the tax authorities. Assets and liabilities for current taxes are measured using tax rates (and tax laws) enacted at the balance sheet date.

The applicable tax rate is 19% of the taxable income.

Deferred taxes

Deferred income tax assets and liabilities are calculated according to the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised. A deferred tax asset is also recognised for unused tax losses and unused tax credits, which are carried forward to the next period, if it is probable that a future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

On the balance sheet date, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. Tax rates (and tax regulations) enacted as at the balance sheet date are applied.

Deferred tax is charged or credited directly to equity, if it relates to items that are credited or charged directly to equity.

Cash flow statement

Cash flow statement is a fundamental financial statement showing a true and fair view of changes in the balance of cash for the relevant accounting period. The cash flow statement was prepared according to the indirect method, version II of the SAS 22. The cash flow statement presents cash flows from or used in operating, investing and financing activities for the period. Cash flows are posted to the cash flow statements in non-offset amounts. Data from the statement of cash flows arise from the balance sheet and P&L statement, taking into account appropriate adjustments to cash flows.

WHOEVER WANTS TO REACH A DISTANT GOAL MUST TAKE MANY SMALL STEPS.
(HELMUT SCHMIDT)

2.6.4. Net sales revenue

Net sales revenue	Note	2017	in EUR 2016
1. Sales revenues from products		131,853,463	91,370,284
2. Revenues from the sale of services		4,736,626	5,441,057
3. Revenues from the sale of merchandise		577,107	613,820
4. Rental income		203,518	318,904
Total net sales revenue		**137,370,715**	**97,744,064**

Operating revenues increased mainly on account of the larger quantities sold. In addition to higher sales, the increase in revenues was also affected by the more favourable price trends on the global markets at the time of the sales.

2.6.5. Other operating revenues, including from revaluation

Other operating revenues, including from revaluation	Note	2017	in EUR 2016
1. Capitalised own products and services		293	0
2. Revenues from the reversal of provisions		0	12,981
3. Revenues from recovered written-off receivables		5,414	908
4. Operating revenue from revaluation		167,068	5,668
5. Other operating revenues		200,343	140,136
Total other operating revenue		**373,118**	**159,694**

Operating revenues from revaluation were generated from the consideration received from the sale of property, plant and equipment. A major item of other operating revenues is the income from excise duties for 2017 in the amount of EUR 192,297.98 (2016: EUR 119,992).

2.6.6. Costs of goods, material, and services

Stroški blaga, materiala in storitev			in EUR
	Pojasnilo	2017	2016
1. Cost of goods and materials sold		-104,469,842	-67,173,523
2. Cost of material		-2,969,369	-2,497,286
3. Cost of services		-13,033,375	-13,546,223
Total costs of goods, material, and services		**-120,472,586**	**-83,217,032**
Of which:			
1. Cost of annual report auditing		13,200	13,200
2. Receipts of Supervisory Board members		0	451

The company is under an audit obligation. The contract value of the cost of the 2017 audit is EUR 13,200, comprising the audit of the company, the audit of the reporting package of the parent company as at 31 December 2017 and a review of the report on relations with related companies according to Article 546 of ZGD-1.

2.6.7. Labour costs

Labour costs	Pojasnilo	2017	v EUR 2016
1. Cost of wages and salaries		-5,923,790	-5,307,845
2. Cost of social insurance		-444,909	-469,744
3. Cost of pension insurance		-524,255	-393,960
4. Other labour cost		-1,118,845	-1,196,373
Total labour cost		**-8,011,799**	**-7,367,922**
Of which:			
1. Receipts of Management Board members		638,230	323,409
2. Receipts of employees employed under individual contracts		354,968	124,784

Average number of employees by educational groups	2017	2016
Level I education	58	4
Level II education	27	103
Level III education	61	70
Level IV education	40	54
Level V education	80	38
Level VI education	12	19
Level VII education	21	7
Level VIII education	4	12
Level IX education	0	0
Total average number of employees	**303**	**307**

Number of employees	2017	2016
No. of employees as at	303	307
Average number of employees based on working hours in the period	301.05	299.01

All receipts of the Management Board are fixed and approved by the Supervisory Board. The Management Board receives no insurance premium, fee or other additional payments.

2.6.8. Write-downs

Write-downs	Note	2017	in EUR 2016
1. Amortisation of non-current intangible assets		-42,179	-54,247
2. Depreciation of buildings		-947,920	-951,992
3. Depreciation of equipment, spare parts and small tools		-1,537,640	-1,721,138
4. Operating expenses from revaluation of fixed assets		-19,211	-95,321
5. Operating expenses from revaluation of inventories and receivables		-77,894	-108,842
Total write-downs		**-2,624,845**	**-2,931,539**

2.6.9. Other operating expenses

Other operating expenses	Note	2017	in EUR 2016
1. Planned use of building land		-269,348	-278,008
2. Miscellaneous other costs		-1,643,450	-1,131,204
3. Other		-58,647	-45,053
Total other operating expenses		**-1,971,445**	**-1,454,266**

The major part of other operating expenses includes compensation for destruction of hazardous waste accepted from customers.

2.6.10. Costs by functional group

Costs by functional group			in EUR
	Note	2017	2016
1. Cost of merchandise sold		-392,284	-207,666
2. Selling costs		-130,936,730	-93,528,395
3. Costs of general activities		-1,751,662	-1,234,698
Total costs by functional group		**-133,080,675**	**-94,970,759**

2.6.11. Finance income

Finance income			in EUR
	Note	2017	2016
1. Income from dividends received and profit sharing		117,453	0
2. Income from other financial instruments in the group		177,900	0
3. Interest income		79,846	86,938
4. Finance income from revaluation - late payment fees		0	35,858
5. Other finance income		19,039	4,827
Total finance income		**394,238**	**127,623**

The higher finance income in 2017 was generated from the trading of derivatives in the amount of EUR 177,900 which we use as a hedge against price swings on the world market. Other major finance income in 2017 that stands out was generated from dividends in the amount of EUR 117,453. Other major finance income came from the charged late fees on customer payments of EUR 45,110 (2016: EUR 53,671) and income on the interest charged on loans granted to related parties and amounting in 2017 to EUR 34,414 (2016: EUR 32,358).

2.6.12. Finance expenses

Finance expenses	Note	2017	in EUR 2016
1. Interest expenses		-310,998	-467,332
2. Finance expenses from revaluation – impairment of investments		0	-275,234
3. Finance expenses from revaluation – exchange rate differences		-39,111	-10,664
4. Expenses from other financial instruments in the group		-489,388	-101,793
5. Other finance expenses		-5,008	-7,523
Total finance expenses		**-844,505**	**-862,546**

In 2017, we did not carry out impairments of financial assets as the last impairments were carried out in 2016 and totalled EUR 275,234.

Finance expenses from bank borrowings totalled EUR 240,179 in 2017 (2016: EUR 347,682.66). Interest from leases stood at EUR 59,490 in 2017 (2016: EUR 82,852).

Finance expenses from derivatives worth EUR 489,388 were recorded in 2017 (2016: EUR 101,793.04); we use these instruments as a hedge against price swings on the world market. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

2.6.13. Corporate income tax

Corporate income tax	Note	2017	in EUR 2016
1. Profit or loss before tax		4,331,164	2,306,174
2. Adjustment of revenues to the level recognised for tax purposes		-123,598	-221,186
3. Adjustment of expenses to the level recognised for tax purposes		195,471	378,403
4. Claimed tax reliefs		-904,951	-346,802
5. Other		190,208	-124
Total tax base		**3,688,294**	**2,116,465**
Corporate income tax rate (19% for 2017 and 17% for 2016)			
Corporate income tax		**-700,776**	**-359,799**

2.6.14. Deferred taxes

Deferred taxes				in EUR
	Balance sheet		Profit and loss account	
	2017	2016	2017	2016
Deferred tax assets				
1. Adjustments of financial assets	52,294	52,294	0	33,067
2. Provisions	49,224	50,334	-1,110	11,242
Total deferred tax assets	**101,519**	**102,628**	**-1,110**	**44,310**
Changes in deferred taxes recognised in equity				
1. Opening balance			102,628	58,318
2. Changes in deferred tax assets recognised in equity			-1,110	44,310
3. Changes in deferred tax liabilities recognised in equity			0	0
Total balance of deferred taxes recognised in equity			**101,519**	**102,628**

2.6.15. Intangible assets

Intangible assets and long-term deferred costs and accrued revenue							in EUR
2017	Long-term property rights	Good will	Long-term deferred costs of development	Other long-term deferred costs and accrued revenue	Acquisitions in progress	Advances	Total
Cost							
1. Opening balance	548,063			62,684			**610,747**
2. Acquisitions	13,775						**13,775**
Closing balance	**561,838**	**0**	**0**	**62,684**	**0**	**0**	**624,523**
Accumulated amortisation							
1. Opening balance	390,060			54,560			**444,620**
2. Amortisation	40,582			2,046			**42,629**
Closing balance	**430,642**	**0**	**0**	**56,606**	**0**	**0**	**487,248**
Carrying amount							
1. Opening balance	158,003	0	0	8,124	0	0	**166,127**
2. Closing balance	**131,196**	**0**	**0**	**6,078**	**0**	**0**	**137,274**

Intangible assets and long-term deferred costs and accrued revenue							in EUR
2016	Long-term property rights	Good will	Long-term deferred costs of development	Other long-term deferred costs and accrued revenue	Acquisitions in progress	Advances	Total
Cost							
1. Opening balance	463,046			62,684			**525,730**
2. Effect of the merger	35,661						**35,661**
Balance as at 31 December 2015 following the merger	498,706	0	0	62,684	0		**561,391**
1. Acquisitions	49,357					0	**49,357**
Closing balance	**548,063**	**0**	**0**	**62,684**	**0**	**0**	**610,747**
Accumulated amortisation							
1. Opening balance	327,850			51,921			**379,771**
2. Effect of the merger	5,170						**5,170**
Balance as at 31 December 2015 following the merger	333,020	0	0	51,921	0		**384,941**
1. Amortisation	57,040			2,639		0	**59,679**
Closing balance	**390,060**	**0**	**0**	**54,560**	**0**	**0**	**444,620**
Carrying amount							
1. Opening balance	165,686	0	0	10,763	0	0	**176,450**
2. Closing balance	**158,003**	**0**	**0**	**8,124**	**0**	**0**	**166,127**

Intangible assets do not have limited property rights and are not pledged as security for liabilities. No intangible assets were acquired with state support.

There are no financial obligations for the payment of intangible assets.

2.6.16. Property, plant, and equipment

Property, plant, and equipment							in EUR
2017	Land	Buildings	Production equipment	Other equipment	PPE under construction or development	Advances for property, plant and equipment	Total
Cost							
1. Opening balance	9,169,296	31,890,713	39,650,184	1,738,300	74,500	0	**82,522,993**
2. Acquisitions		8,824	2,022,150	129,965	87,486	256,432	**2,504,857**
3. Disposals	-1,359	-10,978	-978,706	-20,875			**-1,011,918**
4. Other					-18,600		**-18,600**
Closing balance	**9,167,937**	**31,888,559**	**40,693,628**	**1,847,390**	**143,387**	**256,432**	**83,997,332**
Accumulated depreciation							
1. Opening balance		14,227,470	32,345,537	1,598,237			**48,171,245**
2. Depreciation		947,958	1,454,868	82,285			**2,485,111**
3. Disposals		-10,978	-721,152	-20,787			**-752,917**
Closing balance	**0**	**15,164,450**	**33,079,253**	**1,659,736**	**0**	**0**	**49,903,439**
Carrying amount							
1. Opening balance	9,169,296	17,663,243	7,304,647	140,062	74,500	0	**34,351,748**
2. Closing balance	**9,167,937**	**16,724,109**	**7,614,375**	**187,654**	**143,387**	**256,432**	**34,093,893**

Property, plant, and equipment							in EUR
2016	Land	Buildings	Production equipment	Other equipment	PPE under construction or development	Advances for property, plant and equipment	Total
Cost							
1. Opening balance	9,519,296	31,879,692	39,198,913	1,738,303	73,310		**82,409,515**
2. Effect of the merger				12,161			**12,161**
Balance as at 31 December 2015 following the merger	9,519,296	31,879,692	39,198,913	1,750,465	73,310	0	**82,421,676**
1. Acquisitions		11,021	676,116	57,401	3,590	0	**748,128**
2. Disposals	-350,000		-224,845	-69,566			**-644,411**
3. Other					-2,400		**-2,400**
Closing balance	**9,169,296**	**31,890,713**	**39,650,184**	**1,738,300**	**74,500**	**0**	**82,522,993**
Accumulated depreciation							
1. Opening balance		13,275,516	30,938,558	1,564,636			**45,778,710**
2. Effect of the merger				4,848			**4,848**
Balance as at 31 December 2015 following the merger	0	13,275,516	30,938,558	1,569,484	0		**45,783,558**
1. Depreciation		951,954	1,631,824	93,937			**2,677,715**
2. Disposals			-224,845	-65,184			**-290,028**
Closing balance	**0**	**14,227,470**	**32,345,537**	**1,598,237**	**0**	**0**	**48,171,245**
Carrying amount							
1. Opening balance	9,519,296	18,604,176	8,260,355	180,981	73,310	0	**36,638,118**
2. Closing balance	**9,169,296**	**17,663,243**	**7,304,647**	**140,062**	**74,500**	**0**	**34,351,748**

Dinos d.d. secured two large long-term loans and lease with partly pledged real estate and movable property.

Impairment was not made on 31 December 2017 and we also did not impair property, plant and equipment and intangible fixed assets in 2017.
Fixed assets of the company are insured with an insurance company.

2.6.17. Non-current financial assets

Non-current financial assets				in EUR
		31 Dec 2017	31 Dec 2017	31 Dec 2017
Shares and stakes in Group companies	Shareholding	Investment value	Value of interest held	Net profit or loss
Long-term investments				
1. INVESTMENT IN DINEKO	100.0%	7,500	5,978	**-254**
2. INVESTMENT IN EKODIN	100.0%	7,500	7,512	**12**
Total non-current financial assets		**15,000**	**13,489**	**-254**

Shares and stakes	Shareholding	Value of investment as at 31 Dec 2017	Number of shares	Value of investment as at 31 Dec 2017
Long-term investments in other companies				
1. UNIOR D.D.	0.88%	486,502	24,885	486,502
2. ŠTORE STEEL D.O.O.	15.11%	2,292,561	0	2,292,561
3. LIVAR D.D.	3.30%	721,000	200,000	721,000
4. LITOSTROJ JEKLO D.O.O.	0.60%	0	0	0
Total non-current financial assets		**3,500,063**		**3,500,063**

As at 31 December 2017, the company's management performed an internal valuation of the fair value of investments based on the financial information obtained from companies, in which we hold the investments, as well as other available information. They did not impair the investments so that the balance of investment as at 31 December 2017 are unchanged. Financial assets are classified as available for sale. In 2017, the wholly-owned subsidiary Ekodin was established.

2.6.18. Current financial assets

Loans granted				in EUR
Loans to Group companies	**Interest rate**	**Maturity**	**31 Dec 2017**	**31 Dec 2016**
Short-term loans				
1. Loan to Euro - Trend		30 June 2018	1,324,223	1,324,223
2. Loan to Euro Trend - EUR 7,000	1.579%	30 June 2018	7,000	7,000
3. Loan to Euro Trend - EUR 300,000	1.642%	30 June 2018	300,000	300,000
4. Loan to Euro Trend - EUR 10,000	1.599%	30 June 2018	10,000	10,000
5. Loan to Euro Trend - EUR 4,000	1.194%	30 June 2018	4,000	4,000
6. Loan to Euro Trend - EUR 20,000	1.018%	30 June 2018	20,000	20,000
7. Loan to Euro Trend - EUR 3,000	0.879%	30 June 2018	3,000	0
8. Loan to Euro Trend - EUR 275,000	0.843%	30 June 2018	275,000	0
Loans to Group companies			**1,943,223**	**1,665,223**

Euro trend d.o.o. owns 50% of Dinos d.d. and is a member of the Scholz Group. The new loans worth EUR 278,000 were provided to cover current liquidity needs.

2.6.19. Inventories

Inventories			in EUR
Inventories	**Note**	**31 Dec 2017**	**31 Dec 2016**
1. Material		8,353,751	5,728,514
2. Products and merchandise		4,267	17,932
3. Advances for inventories		215,999	280,260
Total inventories		**8,574,017**	**6,026,706**

Changes in inventories s a result of:	Note	2017	2016
- inventory surpluses		731,628	337,776
- inventory deficits		28,683	5,607

Inventories consist of stocks of materials, products and merchandise as well as advances for inventories.

The carrying amount of inventories as at 31 December 2017 was not lower than their net realisable value.
The inventory turnover ratio was 15.

Regular inventory count was carried out in 2017 at all locations of Dinos d.d. and during the year monthly control weighing is conducted. Inventory differences are due to the weather impacts and the work process.

2.6.20 Operating receivables

Operating receivables		in EUR
Operating receivables	**31 Dec 2017**	**31 Dec 2016**
Non-current operating receivables		
1. Non-current operating receivables due from others	0	0
Total non-current operating receivables	**0**	**0**
Current operating receivables		
1. Current operating receivables due from Group companies	362,295	285,070
2. Current operating receivables from associated companies	0	0
3. Current trade receivables due from customers	22,198,703	17,820,172
4. Interest receivables	322,078	274,515
5. Receivables from dividends and profit sharing	0	0
6. Receivables from government and other institutions	1,011,915	569,966
7. Other granted advances and securities	6,235	21,718
8. Other current receivables	0	0
Total current operating receivables	**23,901,226**	**18,971,441**
Total operating receivables	**23,901,226**	**18,971,441**

Operating receivables		in EUR
Trade receivables including the value adjustment after maturity	**31 Dec 2017**	**31 Dec 2016**
- non-past due	75.05%	76.02%
- past due up to 30 days	24.13%	23.10%
- past due up to 60 days	0.61%	0.41%
- past due up to 90 days	0.08%	0.09%
- past due up to 120 days	0.00%	0.12%
- past due by more than 120 days	0.13%	0.26%
Total	**100.00%**	**100.00%**

Collateralisation of trade receivables	31 Dec 2017	31 Dec 2016
1. Collateralised trade receivables	73.15%	73.26%
2. Non-collateralised trade receivables	26.85%	26.74%
Total	**100.00%**	**100.00%**

Receivables are insured with the credit insurance company for up to 90% of the amount.

The balance of the value adjustment of receivables as at 31 December 2016 was EUR 280,093. In 2017, an additional value adjustment of EUR 69,880 was made. The closing balance of the value adjustment of receivables as at 31 December 2017 was EUR 349,973.

2.6.21. Cash

Cash			in EUR
Cash	**Note**	**31 Dec 2017**	**31 Dec 2016**
1. Cash in hand		25,959	25,952
2. Cash in accounts		369,817	103,311
Total cash		**395,776**	**129,264**

For the purpose of maintaining current solvency, revolving loans were raised from BANK 1 in the amount of EUR 2,000,000 and from BANK 5 in the amount of 3,000,000.

2.6.22. Short-term deferred costs and accrued revenue

Short-term deferred costs and accrued revenue			v EUR
	Note	**31 Dec 2017**	**31 Dec 2016**
Short-term deferred costs and accrued revenue		113,169	326,131
Total short-term deferred costs and accrued revenue		**113,169**	**326,131**

As at 31 December 2017, major items of short-term deferred costs and accrued revenues included uncharged revenues in the amount of EUR 93,681, precharged licence fees, membership fees, insurance and other liabilities charged and paid in advance in the amount of EUR 9,968, and deferred costs of spare parts of EUR 5,880 and costs of energy for heating purposes in the amount of EUR 2,286.

2.6.23 Equity

Equity					in EUR
Equity	31 Dec 2016	Merger	Increases	Decreases	31 Dec 2017
1. Share capital	2,279,668	0	0	0	2,279,668
2. Capital surplus	9,410,703	0	0	0	9,410,703
3. Revenue reserves	13,530,308	0	0	0	13,530,308
4. Revaluation surplus	12,755	0	4,970	1,667	16,058
5. Net operating profit or loss brought forward	11,601,091	0	1,992,351	0	13,593,443
6. Net profit or loss for the year	1,990,685	0	3,629,279	1,990,685	3,629,279
Total equity	**38,825,210**		**5,626,600**	**1,992,351**	**42,459,459**

		in EUR
Distributable profit	**31 Dec 2017**	**31 Dec 2016**
1. Net profit or loss for the period	3,629,279	1,990,685
2. Net operating profit or loss brought forward	13,593,443	11,601,091
Total distributable profit	**17,222,721**	**13,591,776**

		in EUR
Capital surplus	**31 Dec 2017**	**31 Dec 2016**
1. Paid-in capital surplus	9,410,703	9,410,703
Total capital surplus	**9,410,703**	**9,410,703**

The capital consists of 54,629 ordinary shares.

Nominal value per share equals EUR 42. As at 31 December 2017, the book value of a share amounted to EUR 777 (EUR 711 as at 31 December 2016).

Other reserves were formed from accumulated profit based on resolutions of the General Meeting.

The main change in equity in 2017 refers to net profit for the year in the amount of EUR 3,629,279.

Net profit for the year remain unallocated as at 31 December 2017.

Equity ownership structure:

The largest owners	Share in %	Number of shares
Scholz International Holding GmbH	30.01%	16,394
Scholz Holding GmbH	19.99%	10,921
Euro trend d.o.o.	50.00%	27,314
Total	**100,00%**	**54,629**


IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT THAT SURVIVES. IT IS THE ONE THAT IS MOST ADAPTABLE TO CHANGE. (CHARLES DARWIN)

2.6.24. Provisions and long-term accrued costs and deferred revenues

Provisions and long-term accrued costs and deferred revenues		in EUR
	31 Dec 2017	31 Dec 2016
Provisions for pensions and similar liabilities		
1. Severance pay upon retirement	323,855	330,518
2. Jubilee benefits	194,294	199,310
Total provisions for pensions and similar	**518,149**	**529,828**

Changes in provisions	Opening balance	Drawing	Formation	Reduction	Closing balance
	1 Jan 2017				31 Dec 2017
1. Severance pay upon retirement	330,518.07	33,918.65	27,255.86	0,00	323,855.28
2. Jubilee benefits	199,310.23	31,539.62	26,523.25	0,00	194,293.86
Total provisions for pensions and similar	**529,828.30**	**65,458.27**	**53,779.11**	**0,00**	**518,149.14**

in EUR

Changes in provisions	Opening balance	Drawing	Formation	Reduction	Closing balance
	1 Jan 2016				31 Dec 2016
1. Severance pay upon retirement	314,741.76	9,387.60	25,163.91	0,00	330,518.07
2. Jubilee benefits	145,158.73	16,200.21	70,351.71	0,00	199,310.23
Total provisions for pensions and similar	**459,900.49**	**25,587.81**	**95,515.62**	**0,00**	**529,828.30**

in EUR

An actuarial calculation of provisions for jubilee benefits and retirement severance pay was made in accordance with IAS 19 by an authorised actuary, taking into account the number of employees as at 31 December 2017.

The assumptions considered in the calculation:

- The growth in the average salary at the company for 2017 is estimated at 1.5 % and is unchanged compared to the 2016 estimate of long-term salary growth made by the actuary.
- The calculation of severance pay is related to the years of pensionable service of the employee.
- The nominal long-term interest rate in accordance with the provisions of IAS 19 is estimated at 0.8% for 2017 and 1.05% for 2016.
- Mortality table of the Slovenian population for 2000-2002 was taken into account.
- The number of employees as at the balance sheet cut-off date was 303.
- The total period of service and the achieved period of service of an employee as at the balance sheet cut-off date.
- The amount of jubilee benefits and severance according to the relevant collective agreement.
- Staff turnover rate.

2.6.25. Financial liabilities

Financial liabilities			in EUR
Bank borrowings	Maturity	31 Dec 2017	31 Dec 2016
Long-term loans			
1. BANK 1 - 5 MILLION	20 Jan 2018	0	125,000
2. BANK 1 - 10 MILLION	20 Sep2018	0	750,002
3. BANK 1 - 4 MILLION	12 Jun 2017	0	0
4. BANK 2 - 4 MILLION	30 Sep 2019	0	1,400,000
5. BANK 3 - 1.5 MILLION	26 Mar 2018	0	125,000
6. BANK 4 - 4.5 MILLION	10 Dec 2020	0	2,650,169
7. BANK 1 - 4 MILLION	30 Apr 2021	2,500,000	0
8. BANK 4 - 4 MILLION	10 Nov 2022	3,200,000	0
Total long-term loans		**5,700,000**	**5,050,172**
Short-term loans			
1. BANK 1 - 5 MILLION	20 Jan 2018	125,000	500,000
2. BANK 1 - 10 MILLION	20 Sep 2018	750,002	1,000,000
3. BANK 1 - 4 MILLION	31 Dec 2018	0	590,909
4. BANK 2 - 4 MILLION	31 Dec 2017	0	800,000
5. BANK 3 - 1.5 MILLION	31 Dec 2017	0	500,000
6. BANK 4 - 4.4 MILLION	31 Dec 2017	0	883,389
7. BANK 1 - 4 MILLION	31 Dec 2018	1,000,000	0
8. BANK 4 - 4 MILLION	31 Dec 2018	800,000	0
9. BANK 5 - REVOLVING 3 MILLION	19 Sep 2019	1,375,000	1,672,000
10. BANK 1 - REVOLVING 2 MILLION	28 Mar 2019	2,000,000	0
Total short-term loans		**6,050,002**	**5,946,298**
Total bank borrowings		11,750,002	10,996,470

			in EUR
Other borrowings	Maturity	31 Dec 2017	31 Dec 2016
Long-term loans			
1. LEASING 1	19 Mar 2018	0	1,285,609
2. LEASING 2	18 Sep 2017	0	0
3. LEASING 2	12 Oct 2017	0	0
4. LEASING 2	12 Oct 2017	0	0
5. LEASING 2	12 Oct 2017	0	0
6. LEASING 2	6 Nov 2017	0	0
7. LEASING 2	3 Dec 2017	0	0
8. LEASING 3	1 Nov 2017	0	0
9. LEASING 3	1 Jan 2023	75,864	0
10. LEASING 3	1 Jan 2023	75,864	0
11. LEASING 3	1 Jan 2023	109,094	0
12. LEASING 3	1 Jan 2023	107,824	0
13. LEASING 3	1 Jan 2023	109,094	0
14. LEASING 3	1 Jan 2023	86,898	0
Total long-term loans		**564,638**	**1,285,609**
Short-term loans			
1. LEASING 1	31 Dec 2017	1,285,609	526,871
2. LEASING 2	18 Sep 2017	0	24,936
3. LEASING 2	12 Oct 2017	0	2,487
4. LEASING 2	12 Oct 2017	0	2,487
5. LEASING 2	12 Oct 2017	0	2,487
6. LEASING 2	6 Nov 2017	0	29,791
7.LEASING 2	3.12.2017	0	8,001
8. LEASING 3	1.11.2017	0	2,315

Other borrowings	Maturity	31 Dec 2017	31 Dec 2016
			in EUR
9. LEASING 3	31 Dec 2018	18,209	0
10. LEASING 3	31 Dec 2018	18,209	0
11. LEASING 3	31 Dec 2018	27,295	0
12. LEASING 3	31 Dec 2018	26,990	0
13. LEASING 3	31 Dec 2018	27,295	0
14. LEASING 3	31 Dec 2018	20,858	0
Total short-term loans		**1,424,466**	**599,374**
Total other borrowings		**1,989,104**	**1,884,983**

Maturity of financial liabilities	31 Dec 2017	31 Dec 2016
		in EUR
1. Past due by up to 1 year	4,086,448	6,545,672
2. Past due from 1 to 2 years	5,317,159	3,685,611
3. Past due from 2 to 5 years	4,335,499	2,650,169
4. Past due by over 5 years	0	0
Total financial liabilities by maturity	**13,739,106**	**12,881,452**

Long-term loans as at 31 December 2017 were raised with banks in Slovenia. Three largest loans collateralised by real estate and movable property are:

BANK 1 in the amount of EUR 10 million, approved on 31 July 2007, due on 20 September 2018, interest rate EURIBOR for three-month deposits plus 0.75% per year, secured by real estate; as at 31 December 2017, the value of the outstanding loan is EUR 750,002.

BANK 1 in the amount of EUR 4 million, approved on 17 October 2017, due on 30 April 2021, interest rate EURIBOR for three-month deposits plus 1.85% per year, secured by real estate; as at 31 December 2017, the value of the outstanding loan is EUR 3,500,000.

BANK 4 in the amount of EUR 4 million, approved on 19 September 2017, due on 10 November 2022, interest rate EURIBOR for three-month deposits plus 1.6% per year, secured by real estate; as at 31 December 2017, the value of the outstanding loan is EUR 4,000,000.

LEASING 1 in the amount of EUR 4.8 million, approved on 3 November 2017, due on 29 March 2018, interest rate EURIBOR for three-month deposits plus 3.85% per year, secured by bills of exchange; as at 31 December 2017, the value of the outstanding lease is EUR 1,285,609.

LEASING 3 in the amount of EUR 0.7 million, approved in Q3 of 2017, due on 1 January 2023, interest rate EURIBOR for three-month deposits plus 2.5% per year, secured by bills of exchange; as at 31 December 2017 the value of the outstanding lease is EUR 703,495.

2.6.26. Operating liabilities

Operating liabilities	31 Dec 2017	in EUR 31 Dec 2016
Current operating liabilities		
1. Current operating liabilities to Group companies	248,354	177,089
2. Current operating liabilities to associated companies	0	0
3. Current trade payables	13,967,972	11,424,903
4. Interest	7,446	19,808
5. Liabilities to government and other institutions	338,979	305,926
6. Liabilities to employees	804,864	603,396
7. Current operating liabilities from advances	193,669	75,778
8. Other current liabilities	1,151	1,572
Total current operating liabilities	**15,562,434**	**12,608,472**
Total operating liabilities	**15,562,434**	**12,608,472**

Trade payables by maturity	31 Dec 2017	31 Dec 2016
- non-past due	79.62%	75.85%
- past due up to 30 days	19.34%	23.52%
- past due up to 60 days	0.12%	0.00%
- past due up to 90 days	0.06%	0.00%
- past due up to 120 days	0.17%	0.00%
- past due by more than 120 days	0.69%	0.63%
Total	**100.00%**	**100.00%**

2.6.27. Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues	31 Dec 2017	in EUR 31 Dec 2016
1. Unused annual leave	129,354	126,746
2. Short-term accrued costs and deferred revenues	366,658	275,123
Total short-term accrued costs and deferred revenues	**496,012**	**401,869**

The major items of short-term accrued costs and deferred revenues as at 31 December 2017 were accrued costs of removal of waste in the amount of EUR 13,358, charged unused annual leave in previous years totalling EUR 129,354 and accrued labour cost totalling EUR 314,822.

2.6.28. Intra-group transactions (Scholz Group)

Intra-group transactions Sale and purchasing	2017	in EUR 2016
Intra-group sales		
1. CIAL D.O.O.	0.00	0.00
2. CENTAR ZA RECIKLAŽU	0.00	0.00
3. CE.ZA.R.	45,000.00	67,702.91
4. CHIHO-TIANDE (HK) Ltd	2,470,793.08	28,013.83
5. SCHOLZ HOLDING GMBH	-11,000.00	11,000.00
6. SCHOLZ RECYCLING GmbH	2,770,114.16	846,938.29
7. SCHROTT UND METALLHANDEL M. KATTSCH	1,433,763.85	734,594.19
8. SCHROTT-WALTNER Ges.m.b.H.	263,086.98	80,049.54
9. SRW METALFLOAT GmbH	878,119.25	45,121.43
10. T.YUE (HONKONG) Ltd	0.00	14,024.30
Total intra-group sales	**7,849,877.32**	**1,827,444.49**
Intra-group purchases		
1. C.I.B.O.S.	50,530.91	138,395.36
2. CENTAR ZA RECIKLAŽU	700,699.78	540,054.94
3. CE.ZA.R.	5,849,551.66	2,232,498.85
4. CHIHO-TIANDE (HK) Ltd	17,896.46	0.00
5. EKO -FLOR PLUS D.O.O.	56,065.59	31,314.60
6. FRITZ KUTTIN Gmbh	701,443.05	253,213.67
7. SCHOLZ HOLDING GMBH	0.00	0.00
8. SCHOLZ HONG KONG Ltd	0.00	2,966.68
9. SCHOLZ MANAGEMENT SERVICE	40,000.00	112,716.89
10. SCHOLZ RECYCLING GmbH	531,254.41	153,992.09
11. SCHOLZ ROHSTOFFHANDEL GmbH	246,944.83	0.00
12. SCHROTT -WALTNER Ges.m.b.H.	425,785.59	561,359.99
13. SRW METALFLOAT GmbH	294,975.33	10,802.30
Total intra-group purchases	**8,916,147.61**	**4,037,315.37**

Intra-group transactions Receivables and liabilities	2017	in EUR 2016
Receivables from group companies		
1. CIAL D.O.O.	0.00	0.00
2. CENTAR ZA RECIKLAŽU	0.00	40,000.00
3. CE.ZA.R.	0.00	0.00
4. CHIHO-TIANDE (HK) Ltd	351,468.44	22,710.84
5. SCHOLZ HOLDING GMBH	0.00	11,000.00
6. SCHOLZ RECYCLING GmbH	10,826.75	120,404.02
7. SCHROTT UND METALLHANDEL M. KATTSCH	0.00	109,042.56
8. SCHROTT-WALTNER Ges.m.b.H.	0.00	0.00
9. SRW METALFLOAT GmbH	0.00	0.00
10. T.YUE (HONKONG) Ltd	0.00	0.00
Total receivables from group companies	**362,295.19**	**303,157.42**
Liabilities to group companies		
1. C.I.B.O.S.	0.00	0.00
2. CENTAR ZA RECIKLAŽU	56,000.00	33,890.91
3. CE.ZA.R.	112,261.60	78,898.10
4. CHIHO-TIANDE (HK) Ltd	7,136.07	0.00
5. EKO -FLOR PLUS D.O.O.	0.00	2,182.00
6. FRITZ KUTTIN Gmbh	13,440.30	39,772.20
7. SCHOLZ HOLDING GMBH	0.00	0.00
8. SCHOLZ HONG KONG Ltd	0.00	0.00
9. SCHOLZ MANAGEMENT SERVICE	0.00	10,000.00
10. SCHOLZ RECYCLING GmbH	66,651.60	6,130.18

Intra-group transactions Receivables and liabilities	2017	in EUR 2016
11. SCHOLZ ROHSTOFFHANDEL GmbH	0.00	0.00
12. SCHROTT -WALTNER Ges.m.b.H.	0.00	12,141.36
13. SRW METALFLOAT GmbH	0.00	0.00
Total liabilities to group companies	**255,489.57**	**183,014.75**

Loans and borrowings	2017	v EUR 2016
Loans to Group companies		
1. EUROTREND D.O.O.	1,943,222.77	1,665,222.77
Skupaj dana posojila družbam v skupini	**1,943,222.77**	**1,665,222.77**

The company received adequate payments for all the transactions that took place with the Group companies and was not deprived on the basis of these transactions. Superior companies did not instruct the company to conclude legal transactions that would be detrimental to it and received no compensation as a result of such transactions.

2.6.29. Off-balance sheet liabilities

Off-balance sheet liabilities	2017	in EUR 2016
Bills of exchange received as security for payments	0	93,967
Lien on real estate	8,375,002	9,324,470
Guarantees issued	3,267,550	8,109,438
Guarantees received	0	3,027,503
Building rights	1,001	1,001
Total	11,643,553	20,556,378

2.6.30. Financial risks

Business and operational risks				
	IT RISK	DESCRIPTION OF THE RISK	METHOD OF MANAGEMENT	EXPOSURE
Financial risks	Solvency (liquidity) risk	Decrease in liquidity reserves for the coverage of operating and financial liabilities	Supervision of the matching of maturities, revolving loan	Moderate
	Credit risk	Irregular inflows	Active supervision of the changes in receivables and liabilities, regular buyer and supplier rating monitoring, security for receivables, recovery of receivables	Moderate
	Price and currency risk	Volatility of prices and the EUR/USD exchange rates	Price hedging using derivatives	Moderate
	Interest rate risk	Sudden rise in the variable part of interest rates	Hiring loans in the domestic currency (EUR) and the interest rates are linked to the EURIBOR	Low

Financial risks

The company identified four risks, namely:

- Solvency risk
- Credit risk
- Foreign exchange risk
- Interest rate risk

Solvency (liquidity) risk

Definition

Solvency – liquidity risk comprises the risks related to a deficit in available financial sources and the resulting inability of the company to fulfil financial and operating liabilities within the agreed deadlines. The responsibility for managing solvency risk lies with the Management Board.

This risk level is assessed as moderate.

Management

The risk of short-term solvency is well under control owing to effective cash management, adequate available credit lines for short-term matching of cash flows (revolving loan), a high level of financial flexibility and good access to financial markets.

We ensure long-term solvency with an adequate financial balance of equity and debt capital and sustainable ability to generate cash flows from operations, improve the structure of maturities of financial liabilities as well as the appropriate capital structure. This risk is assessed as moderately managed.

Credit risk

Definition

Credit risk refers to the risk of default of the counter party, which is reflected in the loss from operations and financing. This risk level is assessed as moderate.

Management

The company has formulated a policy of active credit risk management, which includes the concurrent monitoring of outstanding receivables, limiting the exposure to individual customers through a limit system, charging default interest and using a debt collection policy.

The following procedures are performed in credit risk management:

- the definition of significant receivables and insuring material credit exposure through an insurance company;
- obtaining appropriate security (in terms of granted loans usually securities, mortgage, etc.) for the remaining customers, defining limits for customers depending on the customer's credit rating and estimated annual turnover);
- limits of customers are checked at least once a year;
- checking the creditworthiness of new and existing customers (at least once a year);
- the credit rating department obtains collateral in the form of bank guarantees or letters of credit for customer receivables in classes with high risk, weekly monitoring of outstanding and overdue receivables and the anticipated repayment and recovery;
- sales to a buyer are suspended when one of the following conditions is met: exceeded limit, overdue receivables by more than 90 days, the customer's bank account is frozen or other external information is obtained indicating significant financial difficulties on the part of the debtor.

Price and currency risk

Definition

It represents a risk if the company performs sales and purchases in the global market. This risk level is assessed as moderate.

Management

The exposure to EUR/USD exchange rate risk arose with the expansion of operations to the global market and is tied to the growth of the group of which Dinos is a part. The company hedges currency risk through the FX forwards through the Scholz Group. As at 31 December 2017, the company recorded no foreign exchange risks. Furthermore, it has no other foreign currency assets and liabilities. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

Interest rate risk

Definition

Despite the continuation of the process of reducing financial indebtedness to banks, the company is still exposed to the risk of rising interest rates on the money market. The company is exposed to interest rate risk due to variable interest rates. This risk is assessed as low.

Management

All the liabilities arising from borrowings are EUR-denominated and the interest rates are linked to the EURIBOR. The interest rates remain at a low level, in the short term it a rapid increase thereof is not expected. The balance of liabilities arising from borrowings continues to fall in line with amortisation plans. The fixed interest rate as a hedging instrument is currently much higher than the expected interest rates. In order to manage major investments and in the event of the consequent raising of long-term loans, we use suitable derivatives.

2.6.31. Events after the balance sheet date

We started 2018 in accordance with the plans in terms of quantitative and value realisation, and we even exceeded these plans. The favourable level of prices on the iron and non-ferrous metals markets continued in Q1 with few minor adjustments. Economic growth and growth in orders received by our biggest partners was reflected in the increased volume of business of our company. In March, we recorded the biggest monthly realisation in terms of quantities in the history of our company. The picture is quite the opposite on the non-metal side, mainly plastic, where China introduced limits on imports which resulted in the drop in prices and made sales to processing businesses more difficult. Plastic has thus become a problem not only for Slovenia, but also for the whole of Europe.

In March 2017, we secured a new long-term source of financing. We used it to finally repay the financial liabilities from a lease and to finance planned investments.

In 2017 and Q1 of 2018, we paid down our liabilities to other lenders.

There were no events after the reporting date that would materially affect the disclosed financial statements for 2017.

3. Independent Auditor's Report

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Owners of Dinos d.d.

Opinion

We have audited the financial statements of Dinos d.d. (the Company), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company Dinos d.d. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovenian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Building a better working world

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, April 23, 2018

Sanja Košir Nikašinović
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Barbara Tojić Nikolin
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Issuer:
Dinos d.d., Šlandrova ulica 6, Ljubljana

Text selection and preparation:
Zdenka Gorenc

Language review:
Katarina Ambrožič Mirtič

English translation:
Julija slovenska prevajalska agencija

Design and DTP:
Nataša Krhen [Lirion]

Photo:
archive of Dinos d.d., Shutterstock

Print:
Demat

Ljubljana, April 2018

The Annual Report for 2017 is also
published on the website www.dinos.si

www.dinos.si

Dinos d.d. • Šlandrova ulica 6 • 1000 Ljubljana